Bubs Australia Limited
ACN 060 094 742
2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

1800 2827 2878 (1800 BUBS AUST)
info@bubsaustralia.com

10 September 2019

Annual Report - Amended

Bubs Australia Limited (ASX:BUB) advises that the FY 19 Annual Report released on 9 September 2019, contained some typographic errors. None of them are material in nature.

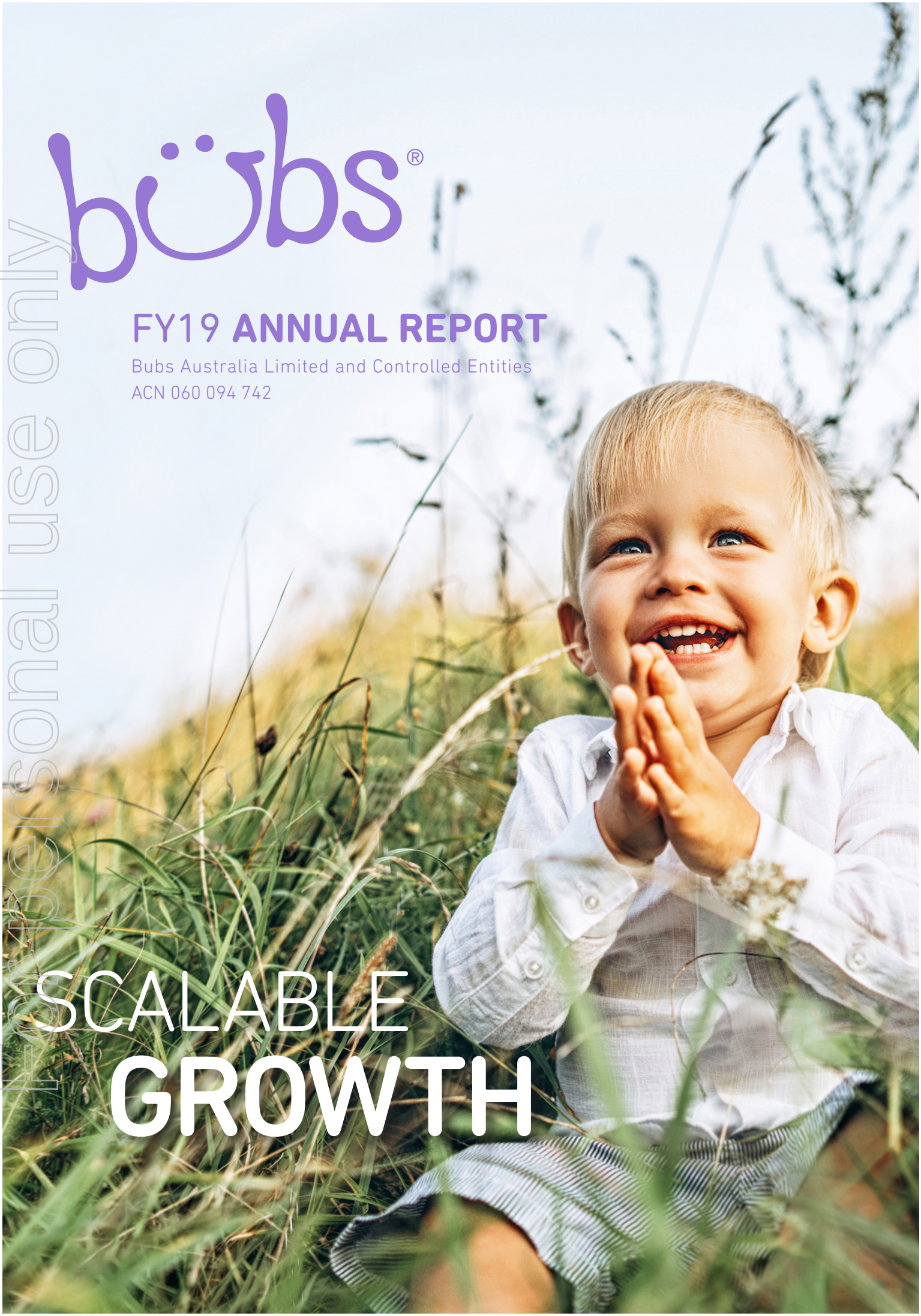
The amended 2019 Annual Report is attached to this announcement.

Jay Stephenson
Company Secretary

bubs®

FY19 ANNUAL REPORT

Bubs Australia Limited and Controlled Entities
ACN 060 094 742



SCALABLE GROWTH

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GENERAL **INFORMATION**

The financial statements cover Bubs Australia Limited for the year ended 30 June 2019. The financial statements are presented in Australian dollars, which is Bubs Australia® Limited's functional and presentational currency.

Bubs Australia® Limited's registered office and principal place of business is:

2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

01

FY19 **REVIEW**

FINANCIAL HIGHLIGHTS

Record Growth Year

FY19 results are characterised by our exceptional revenue trajectory. The company has continued to focus on building scale through channel development, gross margin improvements and further enhancing the integration of our supply chain.

$46.8m

FY19 Gross Revenue Up 154% pcp

+153%

Domestic Net Growth Up (pcp)

+209%

China Net Revenue Growth Up (pcp)

ASX 300

Bubs Australia was added to the ASX300 index, as part of S&P's quarterly rebalance on 23 September 2019.

Improved Margins

Significant uplift in revenue reflects market share gains in the most profitable products across all regions resulting in margin improvement.

$21.6m	Bubs® products net revenue +223%
49%	Bubs® products share of Group Revenue
21%	Group Gross Margin* vs. 14% FY18
35%	Bubs® Gross Margin* vs. 20% FY18
$23.3m	Strong cash reserves adequate to support FY20 operations

*Gross margin does not include the inventories written off.

FROM OUR **CHAIR**

Dear Shareholders

Last year in my report I highlighted the intermediate strategic steps taken in our journey towards building the foundation for long term scalable growth.

This year I am pleased to report that your Company has now both strengthened and embedded these foundations and delivered phenomenal revenue growth. We have now demonstrated our ability to rapidly scale the business for further global expansion that is both sustainable and profitable.

This high growth profile has been achieved through a continuing focus on our four key drivers:

- Increased domestic market penetration
- Brand awareness and impact
- Innovation and product development
- Enhanced Asian focus

The investment in expanding our channel distribution capacity and securing manufacturing capability over the year has seen net revenues increase almost three-fold to $43.9 million from $16.9 million in 2018, delivering a significantly improved gross margin[1] of 21%, versus 14% in 2018. Material growth was also achieved across all core product offerings in both Bubs® and CapriLac® product ranges.

Our first half of the year was characterised by expanding our domestic reach, product expansion of organic toddler snacks, channel expansion into China, and activation of the highly productive Corporate Daigou channel. Whilst the second half saw the achievement of further fundamental strategic developments, enabling us to advance our visibility and influence throughout the supply chain and to command a premium for provenance in our branded products, thereby securing a growth trajectory far greater than our peers in the market segment.

We have continued to focus on goat dairy as the core driver of our business strategy and have substantially grown our milk pool via new farmer partnerships throughout the year, including the exclusive long-term supply agreement with Central Dairy Goats Ltd., which secured an additional 6.2 million litres of fresh milk to be utilised in FY20. This has brought a new depth of understanding in managing the end-to-end supply chain, allowing us to consolidate our vertical integration and optimise our milk flow in a sustainable and flexible way.

In the back half of the financial year, a number of important new manufacturing and supply partnerships were established. The Company partnered with Tatura Milk Industries, a subsidiary of Bega Cheese Limited, to manufacture Bubs® goat milk infant formula using an innovative one-step processing technique to utilise our Australian fresh milk directly from farmgate, without the need to first convert to milk powder. We also entered into a long-term partnership with Fonterra Australia to facilitate our extension into organic grass-fed cow milk infant formula, offering the wider parenting community Australian quality nutritional options for their children, regardless of their dietary needs. This enables Bubs to now operate in the two fastest growth segments of China's super-premium infant formula category.

Importantly, following a significant investment in the company by C2 Capital Partners, in which Alibaba Group is an anchor investor, in April we were able to bring the canning of our infant formula in-house through the acquisition of Australia Deloraine Dairy Group Limited, one of the most modern and advanced CNCA accredited infant formula facilities in Australia. This facility carries the SAMR brand nominations for the application to directly export both Bubs® goat and organic infant formula product lines into China.

Through its investment and off market share purchases, C2 Capital Partners now holds a 15% stake in Bubs Australia, bringing invaluable access to unique China market insights and know-how covering logistics, branding, marketing, omni-channel sales and distribution, and last-mile delivery. Following this transaction, we were privileged to welcome Steve Lin, the Managing Partner of C2 Capital Partners, to the Board.

Capping an enormously productive year, the C2 Capital Partners investment was quickly followed in May by the formalisation of a joint venture with Beingmate Baby & Child Food Co., Ltd ('Beingmate'), one of the largest Chinese owned enterprises in the infant nutrition industry. The joint venture company, in which Bubs Australia has a 49% interest, is Bubs' exclusive authorised distributor in mainland China for all Bubs® branded products and holds an in-depth knowledge of Chinese food standards and evolving regulatory framework. Beingmate's retail network covers 30,000 Mother and Baby stores throughout China, currently distributing seventeen of their own registered infant formula brands.

During the fourth quarter, Bubs entered a strategic equity-linked agreement with Chemist Warehouse, securing a significant retail footprint and brand marketing support for Bubs® products in our home market. We are confident this powerful alignment with such a strong leader in Australian retail will drive rapid sales growth and contribute widely to building the Bubs® brand here and in China, offering substantial long-term shareholder value.

DENNIS LIN
Chairman

KRISTY CARR
Founder CEO

By working with our committed partners, such as Beingmate, Alibaba Tmall and Chemist Warehouse, together with the strength of our vertical integration and control over our supply chain, we will continue to build the business at pace, with both agility and discipline, whilst making a positive impact for all parents and their bubs.

Finally, on behalf of the board, I would like to take this opportunity to thank all shareholders and partners for your support. We also acknowledge the dedication of our expanding team, without which we would not have advanced so far on our journey to becoming a leading infant nutrition brand in Australia and Asia.

DENNIS LIN
Chairman

1 Gross margin does not include the inventories written off.

FROM OUR **CEO**

Dear Shareholders

Throughout this year, we have continued to focus on pursuing our four-pillar growth strategy together with our investments in supply chain and capabilities, investment in building Bubs® brand, and the formation of new strategic channel partnerships.

In FY19, this strategy has helped deliver exceptional growth across all four sales channels covering the various routes-to-market for Australian and Chinese consumers.

- Australian domestic market
- Consumer-to-Consumer outbound (Daigou)
- Business-to-Consumer cross-border eCommerce
- Mother and baby stores

This positive momentum generated by our strategic focus saw continued sales momentum throughout the year, delivering a near tripling of gross revenue[2] to $46.8 million (net $43.9 million) for the full year. This included a material uplift in sales across all core product offerings, with the strongest growth coming from Bubs® goat milk infant formula range.

Domestically a 153% uplift in sales to $35.7 million was principally generated through marketing initiatives to raise brand awareness and increased store count in Coles and Woolworths, as well as deeper penetration in the pharmacy channel towards the back end of the year.

In particular the company actively engaged Australian based Daigous (personal shoppers), who play an integral role in building brand awareness in China through syndication of digital content. Bubs partnered with hundreds of Key Opinion Leaders to participate in product reviews, farm tours, and live-stream events. As a result, Bubs® is now sold in approximately 250 Chinese souvenir stores throughout Australia. An immediate surge in sales was experienced across all channels.

China net sales increased 209% on FY18 to $7.9 million driven by expanded marketing activity and sales platform contract wins. In addition, following successful import registration, Bubs Organic® baby food pouches, cereals and teething rusks (Chinese label) are now being directly imported and distributed into Mother and Baby stores throughout China.

This was followed in March 2019 with our entry into a new segment: post-infant nutrition with the launch of an innovative range of eight toddler snacks certified by Australian Certified Organic (ACO). These products are now ranged nationally in Coles and Chemist Warehouse.

After an extensive product development process, this year also saw the creation of Australia's first organic grass-fed infant formula range, which will launch in Chemist Warehouse nationally in September.

Meanwhile, manufacturing and supply initiatives, smarter allocation of our milk pool, and the introduction of one-step manufacturing directly from our Victorian farmers to Tatura's nutritional spray drying plant, has made our production process more efficient and streamlined. This change in product focus, channel mix, and the gaining of scale led to the Group's gross margin[1] to 21% for the full year. Within that, the Bubs® portfolio margin1 almost doubled to 35% for the year. Further margin improvement remains a key focus for the business in FY20.

Strategic partnering

In April this year Bubs entered a milestone agreement with Chemist Warehouse, the clear leader in the pharmacy channel with over $5 billion in retail sales, of which over $200 million stem from infant formula.

The complete Bubs® portfolio of 28 products is now available in Chemist Warehouse stores as well as an increased presence on their Chinese online platform, which has the largest gross merchandise value on Tmall Global. The agreement is underpinned by a share incentive linked to sales performance and marketing contribution over the next three years.

In May we finalised a joint venture with Beingmate, providing the underpinning for our go-forward China off-line business, under which the Shanghai based company will undertake all in-market services in China. The first material progress from the joint venture was an agreement with China's largest mother and baby store chain, 'Kidswant' which now stocks Bubs Organic® baby food products in all 275 stores.

In the fourth quarter we extended our partnership with Alibaba's Tmall marketplace to deepen penetration of both our infant and adult nutritional brands throughout their extensive ecosystem.

Transformed manufacturing capability

Over the third quarter, the Company took a major step toward improving margins and adding manufacturing capacity by signing a manufacturing agreement with Tatura Milk Industries ('Tatura'). As a result, the Company sold its 49.9% interest in Uphamgo, the manufacturing assets acquired from the NuLac Foods vendors, while retaining the first call on the facilities to manage seasonal flows.

In the fourth quarter the Company took 100% ownership of Australia Deloraine Dairy Group Limited ('Deloraine Dairy') with which Bubs had a long-term agreement for packing infant formula products. This delivered the pivotal and final step in our vertical integration strategy. Bubs® goat and organic cow milk infant formula products have been nominated as two of the available three brand slots, providing a pathway towards achieving SAMR registration which we are actively pursuing.

The acquisition of Deloraine Dairy, coupled with our new partnerships with Tatura and Fonterra, has now deepened control over our manufacturing and supply chain and underpinned our competitive advantage for authentic provenance. With 100% Australian goat milk, full traceability back to farmgate, and scalable capacity to increase volume, the Company is now well placed to meet the continued and growing future demand.

Financial performance

Our financial results for this year reflect the significant and essential investment in brand marketing, channel capacity, new product development, and our end-to-end supply chain, as we continue to build momentum in our core domestic business and progress our capabilities with regard to penetrating the Chinese market through the Beingmate joint venture and Alibaba Tmall partnership. In addition, there were initial high costs associated with establishing process integration relating to the NuLac Foods and Deloraine Dairy acquisitions. Despite the exponential sales growth, these investments resulted in a normalised EBITDA[3] $5.9 million operating loss.

It is important to note that the overall statutory net loss of $35.5 million incorporates certain transactions outside of the normal operations of the business, including corporate transaction expenses of $0.9m associated with the Beingmate Joint Venture, Uphamgo sale, Deloraine Dairy acquisition and a $5.9 million employee benefit expense relating to the NuLac Foods acquisition in FY18 and $1.3m share based payment expense relating to options issued in FY18. Also incorporated is a share based payment expense of $20.4 million relating to the shares to be issued to Chemist Warehouse in the next three years under the Chemist Warehouse agreement.

Outlook

The strategic foundation building milestones we passed in FY19 with the investment in Bubs by C2 Capital Partners, the equity-linked Chemist Warehouse partnership, the acquisition of Australia Deloraine Dairy, the joint venture with Beingmate, the imminent launch of Organic Grass-fed cow milk formula, along with the new supply and sales agreements entered into, means we are well placed to pursue our strategic goals towards delivering profitable and sustainable growth. Whilst we continue to scale the business at pace, we are confident of achieving overall profitability in FY20.

The Company continues to maintain a robust balance sheet with $23.3 million in cash reserves as at 30 June 2019. Other than the committed working capital investment in the Beingmate Joint Venture and the financial earn outs from recent acquisitions, we are committed to using our cash to continue to invest in building the Bubs® brand and its end-to-end supply chain, including the infrastructure and quality controls required to support our extremely high growth profile. Our cashflow forecast is expected to meet our operational needs throughout FY20.

Thankyou for your ongoing support throughout the year. I am proud of our talented team's achievements and their dedication in executing our expansion strategy to create the next Australian success story in a dynamic category with enormous potential globally.

KRISTY CARR
Chief Executive Officer

1 Gross margin does not include the inventories written off.
2 Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution.
3 Normalised EBITDA is a non-IFRS measure. Non-IFRS measure have not been subject to audit or review.

02

OUR **BUSINESS**

+ Strategic Progress
+ End-To-End Supply Chain
+ Product Expansion

STRATEGIC **PROGRESS**

Significant advancement on progressing our four Key Pillars critical to delivering growth.

INNOVATION AND PRODUCT DEVELOPMENT

- Bubs Organic® Toddler Snacks
- Bubs Organic® Grass Fed Infant Formula
- Bubs® Goat Infant Formula - enhanced formulation with Australian milk

INCREASED DOMESTIC MARKET PENETRATION

- National ranging for all Bubs® products in **Chemist Warehouse**
- Launched on Amazon
- Maintained or increased penetration in Coles, Woolworths, Costco, IGA and Big W and Pharmacy4Less

BRAND AWARENESS AND IMPACT

- Increased Bubs® brand digital reach and social currency
- Growth in consumer engagement via events and KOL endorsement
- Increase in channel marketing activity

ENHANCED ASIA FOCUS

- **Alibaba Tmall** strategic partnership
- **Beingmate** Joint Venture in Shanghai
- Launched Bubs® baby food products in Kidswant
- Daigou Activation
- Launching Bubs® baby food on Alibaba's Hema App
- Secured ranging of Bubs® infant formula and baby food products in NTUC FairPrice in Singapore.

END-TO-END **SUPPLY CHAIN**

Providing secure, scalable vertical integration back to farm gate to deliver both traceability and flexibility.

1. Leading producer of >65% Australian goat milk products sourced from Australia's largest milking goat herds. Ownership of our goat milk pool, including 20 million litres of fresh milk from >20,000 goats in Australia and New Zealand.
2. One-step processing taking fresh goat milk directly from farm gate to Tatura's nutritional spray dryer.
3. Flexibility in redirecting our seasonal milk flow into our adult goat dairy brands.
4. 100% ownership of Australia Deloraine Dariy, a state-of-the-art CNCA certified infant formula canning facility.
5. 10-year deep relationships with organic food supply chain and certifiers.
6. Strategic partnerships with Chemist Warehouse, Alibaba Tmall and Beingmate, covering key retail routes-to-market.
7. Focus on increasing market share in home market as well as export to China and emerging South-east Asian markets.
8. Organic milk sourced from Fonterra owned farms with cows fed 365 days on pasture.
9. Supply partnership with Fonterra to produce Australia's first organic grass-fed infant formula with advanced formulation containing prebiotics and probiotics.
10. Bubs® brand is built on 13 years of Australian heritage that also resonates with Asian consumers seeking clean and green nutritional products.

PRODUCT **EXPANSION**

Grown Bubs® portfolio from 18 to 29 SKU's, now catering for all stages of development, feeding occasions and dietary requirements. With opportunity for further expansion in Adult Goat Milk Products.

Organic Toddler Snacks
Snack range to extend consumer lifecycle beyond first 1,000 days.

Infant Milk Formula Australian Goat Milk
Improved formulation - worlds only infant formula sourced from Australian Goat Milk.

Infant Milk Formula Organic Grass Fed
Australia's first Organic Grass Fed Formula with Prebiotics and Probiotics.

Organic Baby Food, Cereals and Rusks

Adult Goat Milk Products

03

CORPORATE **GOVERNANCE**

CORPORATE **DIRECTORY**

DIRECTORS

Dennis Lin (Chairman)

Kristy-Lee Newland Carr

Matthew Reynolds

Johannes Gommans (resigned 18 April 2019)

Steve Lin (appointed 18 April 2019)

COMPANY SECRETARY

Jay Stephenson

REGISTERED OFFICE AND DOMICILE

Bubs Australia Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
2 – 4/6 Tilley Lane,
Frenchs Forest,NSW
2086 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 2
Reserve Bank Buidling
45 St George's Terrace
Perth WA 6000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

AUSTRALIAN SECURITIES EXHANGE

ASX Code: BUB

BOARD OF DIRECTORS

The directors present their report together with the consolidated financial statements of Bubs Australia Limited as a consolidated entity consisting of Bubs Australia Limited (the "Company") and the entities it controlled ("the Group") for the financial year ended 30 June 2019 and the auditor's report thereon.

The names of the directors in office at any time during or since the end of the financial year are:

DENNIS LIN

Chairman
Appointed 22 December 2016.
GradDipAppFin, CA, Solicitor of the Supreme Court of Queensland

Dennis Lin has been a Partner at BDO Australia since 2009 and is the firm's National Leader of China Advisory Services. Having practiced as both a Chartered Accountant and Solicitor in Australia, Dennis specialises in commercial transactions, merger and acquisitions, and capital market activities between Chinese and Australian businesses, with a particular focus in agriculture and consumer goods sectors.

Mr Lin was appointed as a non-executive director of Buderim Group Limited on 3 November 2017, a non-executive director of Ecargo Holdings Limited on 9 April 2018 and a non-executive director of Synertec Corporation Limited on 20 August 2019.

KRISTY CARR

Executive Director
Appointed 22 December 2016.
BBus (Bachelor Degree of Business)

Kristy Carr has an in-depth knowledge of the infant nutrition category and retail sector, with a proven track record of leading and building successful brands and businesses over the past 20 years. Prior to Bubs®, Kristy held international marketing and business development roles based in Hong Kong. It is with this expertise that Kristy founded Bubs® in 2006 and continues to lead a talented team in delivering on her original vision to make Bubs® a successful global brand.

Ms Carr has not held any other Directorships in publically listed companies in the past three years.

MATTHEW REYNOLDS

Non-Executive Director
Appointed 22 December 2016.
B.Sc (Hons), LLB (Hons), MQLS

Matthew Reynolds is a Partner at Thomson Geer lawyers who specialises in capital markets and mergers and acquisitions. He holds a Bachelor of Political Science and Economics (Hons) and a Bachelor of Laws (Hons) and is a member of the Queensland Law Society.

Mr Reynolds was a non-executive director on the ASX listed Axsesstoday Limited (ASX: AXL), and was the non-executive Chairman of P2P Transport Limited (ASX: P2P), retiring from those offices on 15th April 2019, Mr Reynolds also held directorships in unlisted companies including local subsidiaries of Thai-listed Minor International PLC and Ignite Energy Limited.

JONANNES GOMMANS

Non-Executive Director
Appointed 20 December 2017 and resigned 18 April 2019

Mr Gommans comes from a dairy farming family and pioneered the goat milk powder industry in Australia. In 2005, Mr Gommans purchased a dairy production facility and farm in the Gippsland region. This was the genesis of Nulac Foods Pty Ltd, which went on to become the largest producer of goat milk products in Australia and has now been acquired by Bubs Australia Limited. Mr Gommans is responsible for the management of the company's milk supply and production facility.

Mr Gommans has not held any other Directorships in publically listed companies in the past three years.

STEVE LIN

Non-Executive Director
Appointed 18 April 2019
B.A. in Economics

Mr. Lin has over 25 years of investment, operations and management experience in Asia. He started his career in investment baking at Morgan Stanley in New York. He then joined Goldman Sachs' Merchant Banking Division in Hong Kong and Tokyo and invested in private equity, real estate and special situations opportunities. Mr. Lin became the President and CEO - Asia of GMAC Commercial Holding Corp., managing a multi-billion dollar portfolio of real estate investments and loans. Mr. Lin has a B.A. in Economics from Harvard College.

Mr Lin has not held any other Directorships in publically listed companies in Australia in the past three years.

JAY STEPHENSON

Company Secretary
Appointed 1 September 2015.
MBA, FCPA, FGIA, MAICD, CPA (Canada), CMA (Canada)

Jay Stephenson has been involved in business development for over 30 years including approximately 24 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, IT, manufacturing, food, wine, hotels and property. Mr Stephenson has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Mr Stephenson has not held any other directorships in publicly listed companies in the past three years.

Other than Johannes Gommans and Steve Lin, directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

RECORD OF ATTENDANCE AT THE BOARD MEETINGS

Director attendance at Board meetings during the year is set out below.

	Held	Attended
D Lin (Non- executive Chairman)	16	16
K Newland Carr (Executive Director)	16	15
M Reynolds (Non-executive Director)	16	16
J Gommans (Non-executive Director)	13	12
S Lin (Non-executive Director)	3	3

EXECUTIVE LEADERSHIP

KRISTY CARR

Founder CEO

Kristy Carr has an in-depth knowledge of the infant nutrition category and retail sector, with a proven track record of leading and building successful brands and businesses over the past 20 years. Prior to Bubs®, Kristy held international marketing and business development roles based in Hong Kong. It is with this expertise that Kristy founded Bubs® in 2006 and continues to lead a talented team in delivering on her original vision to make Bubs® a successful global brand.

IRIS REN

Chief Financial Officer

Iris Ren spent 3 years in KPMG's CFO Advisory division where she specialised in providing IFRS advisory services and transaction support to public and private entities to achieve positive accounting and commercial outcomes. Prior to that, Iris worked for 7 years in the audit and assurance division of BDO and is a current member of the Institute of Chartered Accounts Australia. Iris joined Bubs Australia in February 2019.

ANTHONY GUALDI

Co-Founder and Director of Special Projects

Anthony has over 25 years experience in the baby food business with studies in Natural medicine and Nutrition. Prior to Bubs, Anthony was the founder of Shakespeares Pies, which later merged with Jesters where he held the position of CEO. Anthony grew his business from one pie shop in Manly to more than 80 stores throughout Australia, New Zealand, and Canada, generating an annual turnover in excess of over $50 million. Anthony co-founded Bubs Australia in October 2005.

DAVID ORTON

General Manager Commercial

David Orton has been in FMCG sales and operations for the last 25 years where he held senior roles with Henkel Beauty Care, SC Johnson & Sons and several other multinational firms responsible for overseeing sales and the ultimate profitability of the company. David was appointed as Bubs General Manager Commercial in January 2018 responsible for all domestic sales, commercial planning and operations. David joined Bubs Australia in March 2017.

VIVIAN ZURLO

General Manager Marketing

Vivian has over 20 years' marketing commercial experience in senior marketing positions across various consumer goods categories at FMCG multinationals. Vivian is responsible for marketing, brand development and product innovation leadership across all markets. Vivian brings her extensive marketing strategy, consumer insights, brand strategy and product innovation experience. Vivian joined Bubs Australia in July 2019.

RICHARD PAINE

General Manager Dairy Operations

Richard Paine has over 25 years manufacturing and management experience in the Australian dairy industry specialising in the nutritional ingredient and nutraceutical space. He also has broader dairy expertise covering commercial and operational management from milk collection/ milk pool through to 'whole of manufacture' in both medium size private to larger listed entities. Richard joined Bubs Australia February 2019.

DIRECTOR'S REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 27 February 2019, the Group signed a manufacturing agreement with Tatura Milk Industries ('Tatura'), a wholly owned subsidiary of Bega Cheese Limited. This agreement enables a one step production process from farm gate fresh goat milk into Infant Formula nutritional base. As the raw goat milk now goes directly to Tatura, there is no longer a need to convert the bulk of the milk to powder for subsequent wet blending. As a result, on 28 February 2019, the Group entered into a sale and purchase agreement to sell back its 49.9% interest in UphamGo Australia Pty Ltd, Cambria Management Company Pty Ltd, Cambria Unit Trust and New Zealand Nutritional Goat Company Limited to the NuLac Foods vendors.

On 18 April 2019, the Group acquired 100% interest in Australia Deloraine Dairy Group Limited ('Deloraine Dairy'). The integration with Deloraine Dairy is a key foothold in Bubs' vertical integration strategy to maximise control of Bub's supply chain. It underpins Bubs' unique competitive advantages deriving from authentic provenance including 100% Australian goat milk with full traceability back to farm gate, and scalable capacity to increase volume to meet growing future demand.

On 6 May 2019, the Group and Beingmate Baby & Child Food Co., Ltd ('Beingmate') established a joint venture company Bubs Brand Management Shanghai Co. Ltd ('Bubs Brand Management'). The Group and Beingmate has a 49% and 51% interest respectively in the joint venture. The joint venture is to distribute and promote Bubs products throughout Beingmate's network covering 30,000 Mother and Baby stores throughout China.

On 30 June 2019, the Group completed the Coach House Dairy Assets sale which is not considered core to Bubs' business strategy. The assets include the business conducted under the 'Coach House Dairy' brand for the production and sale of flavoured cow's milk products, including the Australian registered trademarks, recipes, website and social URL's.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

FINANCIAL PERFORMANCE

The Group achieved net revenue of $43,914,853 (2018: $16,906,256) and a loss after income tax of $35,509,236 (2018: $64,658,942). The overall position includes certain transactions that are outside of the normal operations of the Group:

- corporate transaction expenses of $897,327 (2018: $1,061,847) associated with the acquisition of Deloraine Dairy, disposal of the 49.9% interest in Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Unit Trust and Cambria Management Company Pty Ltd, establishment of Bubs Brand Management and the equity linked transaction with Chemist Warehouse Group;
- $5,897,633 (2018: $7,502,367) employee benefit expense relating to the $6.7 million payable to the Nulac Foods Vendors for future satisfaction of certain performance targets, recorded in employee costs given one of the KPIs relates to the continued employment of the Nulac Foods Vendors;
- $20,425,504 expense relating to the equity linked transaction with Chemist Warehouse Group (2018: $nil);
- $1,346,954 share based payment expense (2018: $2,544,696) relating to options issued in FY18;
- $719,396 (2018: nil) movement of deferred consideration of Deloraine acquisition;
- $404,441 (2018: nil) inventories written off relating to discontinued products; and
- $235,616 (2018: nil) employee costs provision relating to the expected termination settlement with the previous CEO.

The operating loss reflects the fact the business is still in the development phase including the high costs of new product development, expenses relating to the expansion of the domestic and China sales channels and systems and process integration costs for Nulac Foods Pty Ltd and Deloraine Dairy.

REVENUE AND PROFITABILITY

At an operating level, net sales increased 160% compared to FY18. Domestic net sales account for 81% of net revenue, with 18% of net revenue generated from China cross border e-commerce sales, and the remaining 1% from other international markets.

Domestic net sales increased 153% compared to FY18 which is driven by Bubs' strong domestic presence, along with the marketing initiatives the Group has undertaken and the activation of the Corporate Daigou distribution channel.

China net sales increased 209% on FY18 which represents the strong traction the Bubs product range continues to gain in the Chinese market following the deployment of marketing resources and sales channel contract wins in cross border e-commerce distribution channel and China Mother and Baby stores distribution channel.

Gross margin[1] has improved to 21% in FY19 compared to 14% in FY18 due to the optimisation in product and channel mix, engaging new suppliers and improvements in allocating the milk pool from Australia and New Zealand. Bubs product's has achieved a gross margin[1] of 36% in FY19 compared to 20% in FY18. The positive blended margin combined with the strong exponential growth in sales is continuing to erode the high operating and administrative costs indicative of a business in the growth phase. As the foundation of the business has been laid out in FY19 and sales continue to grow with strong gross margin, the Group forecasts a significant improved profit or loss position in FY20.

FINANCIAL POSITION

The Group currently holds $23,291,058 in cash and cash equivalents at 30 June 2019 (2018: $38,642,902). The strong cash position is due to the successful capital raising from C2 Capital Partners during the year and improved cash management of the supply chain. External debt at 30 June 2019 is $2,000,000 (2018: $2,000,000) which arose from the acquisition of Nulac Foods Pty Ltd. The directors are confident of the Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due and payable.

1 Gross margin does not include the inventories written off.

PRINCIPAL ACTIVITIES

The Group offers a great range of organic baby food, goat milk infant formula products, the adult goat milk powder products and fresh dairy products. With the acquisition of Deloraine Dairy, the Group now also provides canning services of nutritional dairy products.

LIKELY DEVELOPMENTS

The Group expects to experience continued strong growth in the key domestic retail space as a result of its partnership with Chemist Warehouse group and the activation of its corporate Daigou partnership. The strong growth in China retail space will be further strengthened by the partnership with BeingMate and the support from C2 Capital.

The gross margin is expected to be further improved as the Group continues working on reducing product costs and optimising the product and channel mix.

Operationally, the Deloraine Dairy acquisition enables the Group to have the capacity to support the strong domestic and China demand of baby infant formula and further enhances the vertical integration and security of the Group's supply chain.

ENVIRONMENTAL REGULATIONS

The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

CORPORATE GOVERNANCE

The Group's corporate governance statement sets out the key features of the Group's governance framework and practices. The Group has adopted corporate governance policies and practices which are designed to support and promote the responsible management and conduct of the Group. The Group's corporate governance statement can be found at https://www.asx.com.au/asxpdf/20180606/pdf/43vldgzjlb5bg7.pdf.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 29 August 2019, Bubs issued 2,974,272 fully ordinary paid shares to Chemist Warehouse Retail Group.

Other than the events noted above, no item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial year and the date of this report, in the opinion of the directors of the Group, that would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year (2018: Nil).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS AND AUDITORS

The Group has paid insurance premiums in respect of Directors' and Officers' liability insurance for current and past directors and officers. Insurance does not indemnify the Directors and Offices where there is conduct involving lack of good faith.

During the financial year, the Group paid a premium in respect of a contract insuring the Directors' and Officers' against a liability incurred as such a Director or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. To the extent permitted by law, Bubs has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE GROUP

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

The Group was not a party to any such proceedings during the year.

ROUNDING

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated under the option available to the Group under ASIC Corporations Instrument 2016/191.

GENDER DIVERSITY

The Group has a strong commitment to diversity and recognises the value of attracting and retaining employees with different backgrounds, gender, culture, knowledge, experience and abilities. Diversity contributes to the Group's business success and benefits individuals, clients, teams, shareholders and stakeholders. The Group's business policies, practices and behaviours promote diversity and equal opportunity and creates an environment where individual differences are valued and all employees have the opportunity to realise their potential and contribute to the Group's success.

	As at 30 June 2019				As at 30 June 2018			
	Male	Percentage Male (%)	Female	Percentage Female (%)	Male	Percentage Male (%)	Female	Percentage Female (%)
Board	3	75%	1	25%	3	75%	1	25%
Senior management	3	75%	1	25%	3	75%	1	25%
Employees	15	54%	13	46%	7	58%	5	42%
Total	21	58%	15	42%	13	65%	7	35%

UNISSUED SHARES UNDER OPTIONS

At the date of this report, unissued shares of the Group under option are:

Expiry Date	Exercise Price	Number of Shares
20 December 2019	0.10	268,848
19 January 2021	0.10	4,770,810

All unissued shares are ordinary shares of the Group.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. During the year ended 30 June 2019, other assurances services of $41,434 were performed relating to the completion audit in relation to Australia Deloraine Dairy Group Limited at 18 April 2019. No other non-audit services were provided by Ernst & Young during the year ended 30 June 2019.

Details of amounts paid or payable to the auditor for other assurances services provided during the year are outlined in Note I3 to the financial statements.

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is attached to this financial report.

REMUNERATION REPORT (AUDITED)

KEY MANAGEMENT PERSONNEL

The term key management personnel (KMP) refers to those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly and includes any director of the Group. The disclosures in this report have been audited.

The KMP of the Group for the year ended 30 June 2019 were:

- Dennis Lin (Chairman)
- Matthew Reynolds (Non-executive Director)
- Steve Lin (Non-executive Director, appointed 18 April 2019)
- John Gommans (Non-executive Director, resigned 18 April 2019)
- Kristy-Lee Newland Carr (Chief Executive Officer and Managing Director)
- Iris Ren[2] (Chief Financial Officer)
- David Orton[2] (General Manager Commercial)
- Richard Paine[2] (General Manager Dairy)
- Anthony Gualdi (Operations Director)
- Vivian Zurlo[2] (General Manager Marketing)

REMUNERATION STRUCTURE

The Board seeks to set aggregate compensation at a level that provides the Group with the ability to attract and retain directors and KMP of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst the directors and KMP is reviewed annually. The overall level of executive reward takes into account the performance of the Group over a number of years.

FIXED REMUNERATION

Employee's fixed remuneration is based on a matrix of an individual's skills and experience, their individual performance and their current level of remuneration relative to the market. Fixed remuneration is reviewed on an annual basis, and where appropriate, is adjusted based on consideration of individual performance and market remuneration movement. The overall level of key management personnel reward takes into account the performance of the Group over a number of years. This ensures that the Group attracts, motivates, and retains top talent executives so they can deliver on the Group's business strategy and contribute to the Group's ongoing financial performance.

Total fixed remuneration (TFR) comprises of base salary, superannuation in accordance with the statutory rates and allowances. The Board reviews and approves all changes to fixed remuneration.

VARIABLE REMUNERATION

SHORT TERM INCENTIVE (STI)

The STI is focussed on performance goals which align with the Group's direction, driving outcomes, differentiating high performance and rewarding delivery over the financial year. STI values are generally calculated as a percentage of fixed remuneration. STI values and performance targets are approved by the Board. For the year ended 30 June 2019, participants may achieve a maximum STI of between 10% and 50% of TFR, with the STI payable up to the maximum subject to achievement of financial targets and specific agreed personal objectives, aligning with the strategic objectives of the Group.

Performance against financial targets is compared with the Group's budget, and achievement of personal objectives is tracked and discussed through the performance period as part of the Group's management process.

STI payments are determined and paid annually following the finalisation of audited Group results and are contingent on achievement of Group financial targets and specific agreed personal objectives.

LONG TERM INCENTIVES (LTI)

The LTI programs provide the potential for executives to receive payment over and above fixed remuneration and short term incentive. These programs are discretionary, appropriate to the results delivered by the Group, and based on the principle of reward for performance.

The purpose of the LTI is to focus the executives' efforts on the achievement of sustainable long-term shareholder value creation and the long-term financial success of the Group.
The provision of LTI plan awards via options for ordinary shares encourages long-term share exposure for the executives and, therefore, drives behaviours which align with the interests of our shareholders.

The Board believes a three-year performance period provides a reasonable period to align reward with shareholder return and also acts as a vehicle to help retain the KMP, align the business planning cycle, and provide sufficient time for the longer-term performance to be achieved.

2 Due to the changes in the corporate structure during the year, Iris Ren and David Orton were appointed as KMP on 9 October 2018. Richard Paine was appointed as KMP on 21 February 2019. Vivian Zurlo was appointed as KMP on 1 July 2019.

REMUNERATION **REPORT (AUDITED)**

TOTAL FIXED REMUNERATION

KMP EXECUTIVES

During the year, the KMP executives of TFR were as follows:

Title	Name	Annual Base Salary	Allowance
Chief Executive Officer and Managing Director	Kristy Carr	$300,000	$6,000
Chief Financial Officer	Iris Ren	$200,000	Nil
General Manager Commercial	David Orton	$200,000	Nil
General Manager Dairy	Richard Paine	$250,000	Nil
Operations Director	Anthony Gualdi	$200,000	$6,000

GROUP'S FINANCIAL PERFORMANCE

The following table provides details of the relationship between KMP's TFR and the Group's overall financial performance:

	2019	2018	2017	2016	2015
Net Revenue	43,914,853	16,906,256	3,932,298	3,659,328	1,818,770
EBIT	-35,144,011	-66,025,718	-5,078,230	-1,308,057	-248,391
Share price at year end	1.13	0.78	0.25	-	-
Basic loss per share	0.08	0.20	0.02	-	-
Total dividend (cents per share)	-	-	-	-	-

SHORT TERM INCENTIVE PLANS

The FY19 STI awards are set based on achievement against a combination of financial and non-financial KPIs. These are used to ensure a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support the growth of the Group.

Performance is measured against the following KPIs:

- Financial – actual results compared to budgeted results for items including net sales, gross margin and normalised EBITDA.
- Business Management – cash generation, capital management, working capital management.
- Business Strategy – development, approval, implementation and achievement.

The following table provides details of the maximum STI that each KMP is entitled to receive:

KMP	STI $	STI % of TFR	Performance Measurement
Kristy Carr	$150,000	50%	100% is measured against Business Strategy
Iris Ren	$20,000	10%	50% is measured against Business Management and 50% is measured against Financial
David Orton	$100,000	50%	100% is measured against Financial
Richard Paine	-	-	-
Anthony Gualdi	-	-	-

LONG-TERM INCENTIVE PLANS

Each option granted represents a right to receive one fully paid share in the Group once the option vests and is exercised. The number of options and the vesting conditions issued under the LTI Plans are determined by and at the sole discretion of the Board.

CEO'S FY18 GRANT OF OPTIONS

The FY18 LTI plan awards were divided in 3 tranches and vest subject to the gross revenue or EBIT performance hurdle calculation over a three-year performance period and continuing employment:

- Tranche 1 (3,578,108 options) will vest on the achievement of $15,000,000 in gross sales or achievement of $500,000 in EBIT.
- Tranche 2 (2,385,405 options) will vest on the achievement of $30,000,000 in gross sales and $2,000,000 in EBIT
- Tranche 3 (2,385,405 options) will vest on the achievement of $50,000,000 in gross sales and $4,000,000 in EBIT.

Performance hurdles must be achieved in a 12 month period and are not cumulative in nature.

Options in respect of Tranche 1 do not have an explicit service condition and Tranches 2 and 3 have a three-month explicit service condition from the grant date. The expiry date of the options is 19 January 2021.

The gross revenue or EBIT performance hurdle was chosen as being a performance measure appropriate to current circumstances of the Group, with progress easily tracked against agreed performance targets, encouraging CEO engagement and aligning with shareholder objectives.

Tranche 1 was granted to the Group's previous CEO Nicholas Simms. The options vested in FY18 and were subsequently cancelled in FY19.

Tranche 2 and 3 options were offered to and accepted by the current CEO Kristy Carr on 29th June 2018 with the value of $0.71 for each option and an exercise price of $0.10. These tranches have not yet vested.

REMUNERATION **REPORT (AUDITED)**

EXECUTIVE CONTRACTS

The remuneration and other terms of employment for KMP executives are covered in formal employment contracts. The Group may terminate an executive immediately for cause, in which case the executive is not entitled to any payment other than the value of total fixed remuneration (and accrued entitlements) up to the termination date.

KMP executive	Notice period by the Group	Notice period by Executive	Payment in lieu of notice
Kristy Carr (Chief Executive Officer and Managing Director)	3 months	3 months	Yes
Iris Ren (Chief Financial Officer)	3 months	3 months	Yes
David Orton (General Manager Commercial)	3 months	3 months	Yes
Richard Paine (General Manager Dairy)	3 months	3 months	Yes
Anthony Gualdi (Operations Director)	3 months	3 months	Yes

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Group's remuneration policy for non-executive directors aims to ensure that the Group can attract and retain suitably qualified and experienced directors having regard to:

- the level of fees paid to non-executive directors of other comparable Australian listed companies;
- the growing size and complexity of the Group's operations;
- the responsibilities and work requirements of Board members; and
- the skills and diversity of Board members.

Under the ASX Listing Rules, the total amount paid to all non-executive directors in any financial year must not exceed the amount fixed in a general meeting of the Group. This amount is currently $300,000 as determined by Shareholders at the AGM held on 18 November 2009. The Board's present policy is that all non-executive directors, other than the chairman, be paid $40,000, per annum, exclusive of superannuation in accordance with statutory rates as remuneration for their services as directors.

For FY19, non-executive directors' remuneration was as follows:

Title	Name	Remuneration
Non-Executive Chairman	Dennis Lin	$150,000
Non-Executive Director	Matthew Reynolds	$40,000
Non-Executive Director	Johannes Gommans (resigned on 18 April 2019)	$40,000
Non-Executive Director	Steve Lin (appointed on 18 April 2019)	$40,000*

* Steve Lin's services were remunerated by C2 Capital Partners.

Directors are also reimbursed for travel and other expenses incurred in attending to Board meetings and the Group's affairs.

COMPANY SECRETARY

Jay Stephenson is contracted on a monthly basis as Company Secretary at a rate of $30,000 per annum.

OTHER RELATED PARTY TRANSACTIONS WITH KMP

Dennis Lin, a Non-Executive Chairman is a strategic advisor in an accounting firm. The Group contracted professional service from the accounting firm to the amount of $181,794 in FY2019 (2018: $461,256), with an outstanding balance at 30 June 2019 of $64,538 (2018: $53,480).

Johannes Gommans, resigned as a Non-Executive Director on 18 April 2019, however he remains a director of Cibus Goats (Australia) Pty Ltd, Uphamgo Australia Pty Ltd and New Zealand Nutritional Goat Company Limited. As a result, the related party transactions from 1 July 2018 to 18 April 2019 are set out below:

		Sales to related parties $	Purchases from related parties $	Amounts owed to related parties $	Loan to related parties $	Amounts owed by related parties $
Cibus Goats (Australia) Pty Ltd*	2019	-	5,648,592	29,037	-	-
	2018	-	2,894,258	629,748	-	-
New Zealand Nutritional Company	2019	6,838	9,335,643	-	-	-
	2018	-	1,575,013	441,999	-	-
Uphamgo Australia Pty Ltd	2019	110,535	7,722,603	-	-	-
	2018	-	4,771,541	1,337,677	600,000	600,000

*Bubs Australia is committed to purchase a minimum of 3,140,000 Litres of milk from Cibus Goats (Australia) Pty Ltd each year during the term of the contract. J. Gommans is a director of Cibus Goats (Australia) Pty Ltd.

Apart from the details disclosed above, no director or any other related party has entered into any other material contracts with the Group since the end of the previous financial year. All of the above transactions were considered to be on an arms' length basis.

REMUNERATION **REPORT (AUDITED)**

DETAILS OF THE NATURE AND AMOUNT OF EACH ELEMENT OF THE REMUNERATION

Table A(1): Remuneration for KMP for the year ended 30 June 2019

		Short Term				Post-Employment	Other Long Term			
		Salary & fees $	Annual leave $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Share based payment - options	Total $	Perform-ance related %
Kristy Carr (1)	2019	285,000	23,077	-	6,000	27,075	18,768	1,346,954	1,706,874	79%
	2018	225,833	5,385	-	6,000	21,454	19,549	2,092	280,313	1%
Nicholas Simms (3)	2019	-	-	-	-	-	-	-	-	0%
	2018	228,525	5,385	-	-	21,710	2,295	2,542,604	2,800,519	91%
Anthony Gualdi (1)	2019	190,769	15,385	-	6,000	18,123	4,674	-	234,951	0%
	2018	181,154	6,154	-	6,000	17,210	7,793	-	218,311	0%
Iris Ren (2)	2019	137,513	11,170	20,000	-	13,064	824	-	182,571	11%
	2018	-	-	-	-	-	-	-	-	0%
David Orton (2)	2019	138,282	11,170	100,000	-	13,137	892	-	263,481	38%
	2018	-	-	-	-	-	-	-	-	0%
Richard Paine (2)	2019	89,041	6,849	-	-	8,459	98	-	104,447	0%
	2018	-	-	-	-	-	-	-	-	0%
Total	2019	840,605	67,649	120,000	12,000	79,858	25,256	1,346,954	2,492,322	-
	2018	635,512	16,924	-	12,000	60,374	29,637	2,544,696	3,299,143	-

(1) Non-monetary benefits include motor vehicle and travel allowances.
(2) Due to changes in the corporate structure during the year, Iris Ren and David Orton were deemed to be KMP from 9 October 2018. Richard Paine was deemed to be a KMP from 21 February 2019.
(3) Nicholas Simms resigned on 28 September 2018.

Table A(2): Remuneration for Non-executive Directors for the year ended 30 June 2019

		Short Term		Post-Employment	Other Long Term			
		Salary & fees $	Non-monetary $	Superannuation $	Long service leave $	Share based payments – options $	Total $	Performance related %
Dennis Lin (1)	2019	150,000	-	14,250	-	-	164,250	-
	2018	30,000	-	-	-	-	30,000	-
Matthew Reynolds	2019	40,000	-	3,800	-	-	43,800	-
	2018	27,397	-	2,603	-	-	30,000	-
John Gommans (2)	2019	31,969	-	3,037	-	-	35,006	-
	2018	15,904	-	1,511	-	-	17,415	-
Steve Lin (3)	2019	8,000	-	-	-	-	8,000	-
	2018	-	-	-	-	-	-	-
Total	2019	229,969	-	21,087	-	-	251,056	
	2018	73,301	-	4,114	-	-	77,415	

(1) Non-executive director fee was payable to BDO Australia Ltd in FY2018.
(2) John Gomman's services were paid by Uphamgo Australia Pty Ltd in FY18.
(3) Steve Lin's services were remunerated by C2 Capital Partners in FY19.

REMUNERATION **REPORT (AUDITED)**

FULLY PAID ORDINARY SHARES OF BUBS AUSTRALIA LIMITED

Table B: Movement in the shares of Bubs held, directly, indirectly or beneficially, by each KMP, including their related parties.

		At the beginning of the year	Purchase of shares	Other change	Shares disposed	At the end of the year
Kristy Carr (2)	2019	20,761,600	-	-	(4,000,000)	16,761,600
	2018	20,761,600	-	-	-	20,761,600
Anthony Gualdi (3)	2019	17,676,600	-	-	(5,676,600)	12,000,000
	2018	21,011,600	-	-	(3,335,000)	17,676,600
Steve Lin (4)	2019	-	-	-	-	-
	2018	-	-	-	-	-
Dennis Lin	2019	-	-	-	-	-
	2018	-	-	-	-	-
Matthew Reynolds	2019	-	-	-	-	-
	2018	-	-	-	-	-
John Gommans (5)	2019	19,200,671	-	-	-	19,200,671
	2018	-	-	19,200,671(1)	-	19,200,671
Iris Ren (6)	2019	-	-	-	-	-
	2018	-	-	-	-	-
David Orton (6)	2019	-	-	-	-	-
	2018	-	-	-	-	-
Richard Paine (6)	2019	-	-	600	-	600
	2018	-	-	-	-	-

(1) FY18 Other change relates to shares in Bubs Australia Limited received by as part of the acquisition of Nulac Foods Pty Ltd on 20 December 2017.
(2) Shares are held under Carr Family Pty Limited.
(3) Shares are held under Infant Food Business Pty Limited.
(4) At 30 June 2019, 76,288,510 shares were held by C2 Capital Partners, of which Steve Lin is the Managing Director.
(5) 19,200,671 shares were held by J Gommans on resignation date. At resignation date, J Gommans close family member held 19,200,671 shares as part of the acquisition of Nulac Foods Pty Ltd on 20 December 2017.
(6) Due to the changes in the corporate structure during the year, Iris Ren and David Orton were appointed as KMP on 9 October 2018. Richard Paine was appointed as KMP on 21 February 2019.

SHARE BASED PAYMENTS

Table C: Share-based payments granted as remuneration to KMP

		Grant date	Number of options granted	Fair Value of options granted	Exercise price per option	Expiry date	Number vested	Number exercised	Number forfeited	Number cancelled	Number of options held at the end of the period
Kristy Carr	2019	-	-	-	-	-	-	-	-	-	4,770,810
	2018	29/06/2018	4,770,810 (1)	$0.6836	$0.10	19/01/2021	-	-	-	-	4,770,810
Nicholas Simms	2019	-	-	-	-	-	-	-	-	3,578,108 (2)	-
	2018	14/12/2017	8,348,918	$0.7106	$0.10	19/01/2021	3,578,108 (2)	-	4,770,810 (1)	-	3,578,108

(1) As a result of her appointment to the position of CEO, tranche 2 and tranche 3 options were offered to and accepted by Kristy Carr in FY18. The tranche 2 and tranche 3 options issued to Nicholas Simms were considered forfeited.
(2) 3,578,108 options vested in FY18 and were subsequently cancelled in FY19. As such, these options are unable to be exercised.

END OF REMUNERATION REPORT (AUDITED)

This directors' report is signed in accordance with a resolution of the board of directors:

Dated: 6 September 2019

DENNIS LIN
CHAIRMAN
SYDNEY

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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of Bubs Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bubs Australia Limited (the Company) and the entities it controlled (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Acquisition of Australia Deloraine Dairy Group Limited ('Deloraine')

Why significant	How our audit addressed the key audit matter
On 18 April 2019, the Group completed the 100% acquisition of Deloraine. In undertaking the acquisition accounting and determining the fair value of the purchase consideration transferred and the fair value of Deloraine assets acquired and liabilities assumed, the Group was required to exercise judgement. The acquisition resulted in the recognition of goodwill of $16,924,256 and other intangible assets of $41,641,572, comprised of a license, customer contract and software and trademarks. The acquisition was accounted for on a provisional basis in the 30 June 2019 financial report. The Group has 12 months from acquisition date to finalise its assessment of the fair value of assets acquired and liabilities assumed. Key judgements are included in note E to the financial report.	Our audit procedures included the following: ▸ Assessed the assets acquired and liabilities assumed of Deloraine at the date of acquisition. ▸ Read and understood the terms of the Sale and Purchase Agreement and other related agreements. We assessed whether the purchase consideration was measured in accordance with Australian Accounting Standards. ▸ Assessed the competence, capabilities and objectivity of the Group's experts used to perform the purchase price allocation, including identification and valuation of intangible assets. ▸ Involved our valuation specialists to assess the assumptions used by the Group and the expert in determining the fair value of the intangible assets recognised on acquisition. ▸ Assessed the adequacy of disclosures included in the financial report to determine whether these were in accordance with the requirements of Australian Accounting Standards.

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2. Impairment testing of indefinite lived intangible assets

Why significant	How our audit addressed the key audit matter
The Group annually tests the carrying value of goodwill and other intangible assets with an indefinite life for impairment. At 30 June 2019, the Group held goodwill on the consolidated statement of financial position of $41,475,733 and brand names of $4,691,634. In addition, the Group held finite intangible assets of $45,615,625 relating to a license, priority right, customer lists, recipes, customer contract and patents, trademarks and software. The impairment assessment is complex and judgemental, as it includes modelling a range of assumptions and estimates that are affected by expected future performance and market conditions such as cash flow forecasts, growth rates, discount rates and terminal value assumptions. Accordingly, the Group's impairment assessment was considered to be a key audit matter. The recoverable amount of the intangible assets have been determined based on a Value in Use ("VIU") methodology. Key judgements and estimates used in the Group's assessment of impairment of intangible assets are disclosed in note C5 of the financial report.	Our audit procedures included the following: ▸ Assessed whether the methodology used by the Group to test for impairment was consistent with the requirements of Australian Accounting Standards. This included assessing the cash generating units determined by the Group. ▸ Tested whether the models used were mathematically accurate. ▸ Evaluated the cash flows forecasts that had been approved by the Board. ▸ Involved our valuation specialists to evaluate the key assumptions applied in the impairment models. These included the discount rates and terminal value assumptions. ▸ Considered the impact of a range of sensitivities to key assumptions in the impairment models to ascertain the extent of change in those assumptions that would either individually or collectively result in an impairment charge. ▸ Assessed the sensitivity analysis performed by the Group. ▸ Assessed the disclosures included in the financial report.

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3. Share based payment – Corporate transaction

Why significant	How our audit addressed the key audit matter
On 18 April 2019, the Group entered into a Heads of Agreement ('Agreement') with Chemist Warehouse Retail Group (Chemist Warehouse) effective from 1 June 2019. As part of the agreement, a maximum of 49,426,508 fully paid ordinary shares will be issued by the Group to Chemist Warehouse, of which 37,069,881 fully paid ordinary shares are subject to the future satisfaction of sales performance targets by Chemist Warehouse. In addition, the Group is required to pay a fee for marketing support and promotional services. This was determined to be accounted for in accordance with AASB 2 *Share-based Payments* and an expense of $20,425,504 was recognised on the consolidated statement of profit and loss. Due to the judgement involved in determining the applicable Australian Accounting Standard to apply to this transaction as well as determining the valuation of the shares to be issued, we considered this to be a key audit matter. The Group's key judgements and estimates are disclosed in note B4 of the financial report.	Our audit procedures included the following: ▸ Read and understood the terms of the Agreement. We assessed whether the expense recorded was in accordance with Australian Accounting Standards, in respect of the shares to be issued by the Group to Chemist Warehouse Retail Group. ▸ Assessed the competence, capabilities and objectivity of the Group's experts used to perform the valuation of the shares. ▸ Involved our valuation specialists to assess the assumptions used by the Group and the expert in determining the fair value of the shares at grant date, including the share price of the underlying equity, dividend yield and grant date. We assessed the Group's probability of the sales performance targets being achieved. ▸ Assessed the adequacy of the disclosures included in the financial report.

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4. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group recognised $43,914,853 in respect of revenue from contracts with customers for the year ended 30 June 2019. This was significant to our audit given the quantum of revenue recognised as well as the Group having adopted Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers* effective from 1 July 2018. For all revenue streams, the Group concluded that revenue from sales of products should be recognised at the point in time when the products are transferred to the customer, generally on delivery of the products or when the goods are picked up at the Group's warehouse. The Group also had bill and hold arrangements at 30 June 2019. The Group's disclosures are included in note B2 of the financial report.	Our audit procedures included the following: ▸ Obtained an understanding of the Group's revenue processes including with respect to when revenue is recognised. ▸ For a sample of revenue transactions during the year, we assessed the occurrence and measurement of the revenue by agreeing it to supporting documentation including sales invoice, proof of delivery and cash received. ▸ Assessed whether the accounting policies applied by the Group relating to the recognition of revenue were in accordance with Australian Accounting Standard AASB 15. ▸ Selected a sample of revenue transactions recognised prior to and subsequent to year end to assess whether revenue was recognised in the correct period. ▸ Assessed the bill and hold arrangements existing at year end and whether control of the products had transferred to the customer. ▸ Assessed the revenue disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 43 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Group for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

Ernst & Young

Ernst & Young

Jacob Gossan
Partner
Melbourne
6 September 2019

04

FINANCIAL **STATEMENTS**

PROFIT AND LOSS

	Note	2019 $	2018 $
Revenue	B2	43,914,853	16,906,256
Cost of sales	B3	(35,301,918)	(15,232,562)
Other Income	B5	1,238,845	193,847
Distribution and selling costs		(1,468,069)	(859,956)
Employee costs	B3	(12,005,639)	(12,527,112)
Marketing and promotion costs		(4,056,514)	(855,004)
Occupancy costs		(383,122)	(373,458)
Administrative and other costs	B3	(5,759,616)	(3,981,122)
Goodwill impairment	C5	-	(48,234,760)
Share based payment expense – Corporate transaction	B4	(20,425,504)	-
Other expenses	B3	(897,327)	(1,061,847)
Interest income		455,554	59,955
Finance cost	B3	(893,576)	(255,422)
Loss before tax		(35,582,033)	(66,221,185)
Income tax benefit	B7	72,797	1,562,243
Loss for the year after tax		(35,509,236)	(64,658,942)
Total comprehensive loss for the year		(35,509,236)	(64,658,942)
Loss per share			
Basic (loss) per share (dollars)	B6	(0.08)	(0.20)
Diluted (loss) per share (dollars)	B6	(0.08)	(0.20)

The accompanying notes form part of these financial statements.

FINANCIAL POSITION

	Note	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	D3	23,291,058	38,642,902
Trade and other receivables	C1	15,552,802	4,012,822
Other assets	C3	1,636,563	4,887,537
GST receivable	C12	1,946,169	-
Inventories	C2	14,552,400	6,018,518
Total Current Assets		56,978,992	53,561,779
Non-Current Assets			
GST receivable	C12	593,477	-
Plant and equipment	C4	4,213,775	47,305
Intangible assets	C5	91,782,992	32,991,646
Investment in joint ventures	F	-	2,368,351
Investment in associates	G	1,030,470	-
Total Non-Current Assets		97,620,714	35,407,302
Total Assets		154,599,706	88,969,081
Liabilities			
Current Liabilities			
Trade and other payables	C6	8,931,497	5,304,475
Contract liabilities	C7	926,382	-
Borrowings	C8	2,000,000	2,000,000
Provisions	C9	2,357,410	151,694
Share based payment liability	C12	1,946,169	-
Employee benefit liability - Nulac acquisition	C11	6,700,000	3,350,000
Deferred consideration payables	E	5,000,000	-
Consideration payable	C10	238,095	1,488,327
Total Current Liabilities		28,099,553	12,294,496
Non-Current Liabilities			
Provisions	C9	553,949	5,654
Share based payment liability	C12	593,477	-
Employee benefit liability - Nulac acquisition	C11	-	4,152,367
Deferred consideration payables	E	7,347,062	-
Deferred tax liabilities	B7	12,354,026	-
Total Non-Current Liabilities		20,848,514	4,158,021
Total Liabilities		48,948,067	16,452,517
Net Assets		105,651,639	72,516,564
Equity			
Issued capital	D5	189,059,150	142,189,264
Share based payments reserve	D6	24,878,923	3,106,465
Foreign currency translation reserve		1,967	-
Accumulated losses		(108,288,401)	(72,779,165)
Total Equity		105,651,639	72,516,564

The accompanying notes form part of these financial statements.

CHANGES IN EQUITY

2019		Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Total equity $
Balance at 1 July 2018		142,189,264	3,106,465	-	(72,779,165)	72,516,564
Comprehensive income						
Loss for the year		-	-	-	(35,509,236)	(35,509,236)
Other comprehensive income		-	-	1,967	-	1,967
Total comprehensive income		-	-	1,967	(35,509,236)	(35,507,269)
Transactions with owners in their capacity as owners:						
Shares issued at acquisition	D5, E	13,384,615		-	-	13,384,615
Issue of shares	D5, E	32,738,477	-	-	-	32,738,477
Exercise of options	D5	791,081	-	-	-	791,081
Capital raising costs, net of tax	D5	(44,287)	-	-	-	(44,287)
Share based payment expense	D6	-	1,346,954	-	-	1,346,954
Share based payment expense – Corporate transaction	D6	-	20,425,504	-	-	20,425,504
Balance at 30 June 2019		189,059,150	24,878,923	1,967	(108,288,401)	105,651,639

The accompanying notes form part of these financial statements.

2018	Issued Capital $	Share Based Payments Reserve $	Retained Earnings $	Total equity $
Balance at 1 July 2017	15,082,928	561,769	(8,120,223)	7,524,474
Comprehensive income				
Loss for the year	-	-	(64,658,942)	(64,658,942)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(64,658,942)	(64,658,942)
Transactions with owners in their capacity as owners:				
Shares issued at acquisition	54,529,906	-	-	54,529,906
Issue of shares	74,784,419	-	-	74,784,419
Exercise of options	500			500
Capital raising costs, net of tax	(2,208,489)	-	-	(2,208,489)
Issue of options	-	2,544,696	-	2,544,696
Balance at 30 June 2018	142,189,264	3,106,465	(72,779,165)	72,516,564

The accompanying notes form part of these financial statements.

CASH FLOWS

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		40,061,416	17,528,164
Payments to suppliers and employees		(57,415,513)	(30,271,765)
Payments to Nulac vendors relating to Nulac Foods acquisition	C10, C11	(7,950,232)	-
Interest received		369,910	59,955
Interest paid		(174,180)	(90,906)
Net cash used in operating activities	D4	(25,108,599)	(12,774,552)
Cash flows from investing activities			
Purchases of property, plant and equipment		(82,730)	(29,025)
Proceeds from disposal of property, plant and equipment		1,709	-
Payments for subsidiaries net of cash acquired		(15,956,865)	(22,763,687)
Payments for interests in joint ventures		-	(2,235,914)
Proceeds from disposal of Coach House Dairy assets		500,000	-
(Loan)/Repayment to / from a related party		600,000	(600,000)
Net cash (used in) / from investing activities		(14,937,886)	(25,628,626)
Cash flows from financing activities			
Proceeds from share issue	D5	32,738,477	74,784,419
Exercise of options	D5	791,081	-
Capital raising costs	D5	(44,287)	(3,045,085)
Repayment of the shareholder loan from the Deloraine Dairy vendors (pre-acquisition shareholders)		(8,790,630)	-
Net cash from / (used in) financing activities		24,694,641	71,739,334
Net increase in cash and cash equivalents		(15,351,844)	33,336,156
Cash and cash equivalents at the beginning of the financial year		38,642,902	5,306,746
Cash and cash equivalents at the end of the financial year		23,291,058	38,642,902

The accompanying notes form part of these financial statements.

NOTES

A. BASIS OF PREPARATION

CORPORATE INFORMATION

The financial statements cover Bubs Australia Limited as a consolidated entity consisting of Bubs Australia Limited and the entities it controlled ("the Group") for the year ended 30 June 2019. The financial report is presented in Australian dollars, which is Bubs Australia Limited's functional and presentational currency.

The Group is a for-profit entity that is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report. The annual report was authorised for issue, in accordance with a resolution of directors, on 30 August 2019. The directors have the power to amend and reissue the financial report.

BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The financial statements, apart from the cash flow information, have been prepared on an accruals basis and are based on historical costs.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated under the option available to the Group under ASIC Corporations Instrument 2016/191.

The Group applied *AASB 15 Revenue from Contracts with Customer and AASB 9 Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

There were no changes to the Group's revenue recognition or measurement identified upon adoption of *AASB 15 Revenue from Contracts with Customer* and no material impact on adoption of *AASB 15 Revenue from Contracts with Customer*. In addition, there would have been no material impact to the Group's revenue in the current period should the recognition and measurement principles of *AASB 118 Revenue* have been applied. Further details of accounting policies are disclosed in Note B2 Revenue.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning 1 July 2018 for the Group, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied *AASB 9 Financial Instruments* retrospectively, with the initial application date of 1 July 2018.

The effect of adopting *AASB 9 Financial Instruments* is, as follows:

(A) CLASSIFICATION AND MEASUREMENT

Under *AASB 9 Financial Instruments*, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets is, as follows:

Measured at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables and financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the financial assets.

There is no impact on the accounting for the Group's financial liabilities under *AASB 9 Financial Instruments*. Trade and other payables and borrowings continue to be subsequently measured at amortised cost. *AASB 9 Financial Instruments* requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of profit or loss. This is consistent with how the contingent payable was accounted for prior to adoption of *AASB 9 Financial Instruments*.

(B) IMPAIRMENT

The adoption of *AASB 9 Financial Instruments* has changed the Group's accounting for impairment losses for financial assets by replacing *AASB 139 Financial Instruments*: *Recognition and Measurement's* incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 Financial Instruments requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

The adoption of the ECL requirements of *AASB 9 Financial Instruments* did not result in any material changes to the Group's impairment allowances.

Further details of accounting policies are disclosed in Note C1 Trade and other receivables.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions. The most significant use of judgements and estimates has been applied to the following areas. Refer to the respective notes for additional details.

	Reference
Recoverability of trade and other receivables	Note C1
Valuation of inventory	Note C2
Recoverability of intangibles	Note C5
Recognition of deferred tax assets	Note B7
Share based payments	Note 12
Share based payments - Corporate transaction	Note B4
Investment in associates	Note G
Acquisition of Deloraine Dairy	Note E

B. GROUP PERFORMANCE

This section explains the results and performance of the Group for the year, including segment information, earnings per share and taxation.

B.1

OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Board) in order to allocate resources to the segment and assess its performance.

In FY18 and FY19, the Group had identified a single operating segment being the sale of nutritional food, fresh products, adult powder and providing canning services of nutritional dairy products. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position was the same as that presented to the chief operating decision maker.

GEOGRAPHIC INFORMATION

Net revenue (by region)	2019 $	2018 $
Australia	35,669,345	14,077,135
China	7,879,277	2,552,797
Other International	366,231	276,324
Total	43,914,853	16,906,256

The revenue information above is based on the locations of the customers.

The Group had three external customers who generated greater than 10 percent of the Group's revenue. For the year ended 30 June 2019, the revenue for these customers amounted to $21,183,309 (2018: $3,898,576).

B.2

REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Type of goods and services	2019 $	2018 $
Sale of Infant Formula	18,936,215	5,009,026
Sale of Baby Organic Food	2,708,393	1,698,287
Sale of Adult Powder	15,611,244	6,686,748
Sale of Fresh Dairy Products	5,939,231	3,394,984
Sale of Raw Materials	337,304	117,211
Canning services	382,466	-
Total revenue from contracts with customers	43,914,853	16,906,256

RECOGNITION AND MEASUREMENT

AASB 15 Revenue from Contracts with Customer supersedes *AASB 118 Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under *AASB 15 Revenue from Contracts with Customer*, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract and comparatives were not restated.

The Group elected to apply the modified retrospective method of adoption for *AASB 15 Revenue from Contracts with Customer.*

Sale of products

The Group has identified the following revenue streams by product type:

- Infant Formula
- Baby Organic Food
- Adult Powder
- Fresh Dairy Products
- Raw materials

For all revenue streams, the Group's contracts with customers for the sale of products include one performance obligation. The Group has concluded that revenue from sale of products should be recognised at the point in time when the products are transferred to the customer, generally on delivery of the products or when the goods are picked up at the Group's warehouse. The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns, volume rebates and marketing contribution.

Rebates and marketing contribution

Rebates and marketing contribution with customers are recognised as a reduction of revenue. Under *AASB 15 Revenue from Contracts with Customer*, retrospective volume rebates and marketing contribution give rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'most likely amount method' for both contracts with a single volume threshold and those with marketing contribution. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained the contract and the marketing contribution agreed with the customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises as refund liability for the expected future rebates.

Bill and hold arrangement

A bill and hold arrangement is a contract under which the Group bills a customer for a product but the Group retains physical possession of the product until it is transferred to the customer at a point in time in the future. The Group identifies multiple performance obligations for its bill and hold arrangements, including sales of products, custodial service and transportation service.

Sales of products are recognized as revenue when the products are placed into warehouse and the customer has accepted the products because the control of the products has transferred to the customer.

Canning services

The Group provides the canning services for nutritional dairy products. The Group recognises revenue from the canning services measured at the fair value of the consideration received or receivable. The revenue represents the Group's right to an amount of consideration that is unconditional. Where the Group controls the promised goods before transferring them to the customers, the Group is a principal and recognises the full amount of goods and canning services as revenue when the production is complete. Where the Group does not control the promised goods and solely provides canning services to the customers, the Group is an agent and recognises the revenue for the canning services when the production is complete.

Where the contracts with customers have minimum volume commitments over the term of the agreement and the customer is not able to fulfil minimum volume commitment, the Group is entitled to charge a penalty fee of the shortfall volume. This gives rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'expected value method'.

KEY ESTIMATE AND JUDGEMENT

The Group estimates variable considerations to be included in the transaction price for the sale of products with volume rebates. The Group's expected volume rebates are analysed on a per customer basis. Determining whether a customer will be likely entitled to a rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group estimates variable considerations to be included in the transaction price of the canning service with minimum volume commitments. The Group estimates the expected volume based on customer forecasts and accumulated purchases to date.

B.3

EXPENSES

	2019 $	2018 $
Cost of sales		
Production costs	34,520,080	14,621,935
Net realisable value adjustments	36,993	351,825
Inventories written off	744,845	258,802
Total	35,301,918	15,232,562
Included in administrative and other costs are the following:		
Listing and registry fees	313,136	286,609
Accountancy and legal fees	493,372	286,590
Insurance	408,667	231,158
Travel costs	672,754	510,283
Consultancy fee	764,843	506,293
Bad and doubtful debts	42,150	12,135
Depreciation and amortisation	1,178,954	309,007
Retainer fee with UphamGo Australia	429,265	228,736
Employee costs		
Wages and salaries	4,461,758	2,365,386
Superannuation	299,294	114,663
Shared based payments	1,346,954	2,544,696
Employee benefit expense – Nulac acquisition	5,897,633	7,502,367
Total	12,005,639	12,527,112
Other expenses		
Corporate transaction accounting and legal expense	897,327	1,061,847
Total	897,327	1,061,847
Finance costs		
Interest expense	174,180	90,975
Unwinding of deferred consideration payable	719,396	164,447
Total	893,576	255,422

B.4

SHARE BASED PAYMENT EXPENSE – CORPORATE TRANSACTION

The Group entered into a four year agreement on 18 April 2019 with Chemist Warehouse Retail Group relating to the sale and promotion of Bubs products in Chemist Warehouse stores, with a commencement date of 1 June 2019. Bubs has an obligation to pay a fee to Chemist Warehouse for marketing support and promotional services. This fee will be payable by the issuance of ordinary shares in Bubs, being a maximum of 49,426,508 fully paid ordinary shares.

An initial issue of 2,974,272 fully paid ordinary shares in Bubs to Chemist Warehouse Retail Group will be issued at the later of the commencement date being 1 June 2019 and Chemist Warehouse stocking the products in accordance with the Heads of Agreement. The issue of the second tranche of 9,382,355 fully paid ordinary shares will be at the earlier of the approval at Bubs' 2019 AGM, the Group's capacity placement under ASX Listing Rule 7.1 or 30 April 2020.

The remaining 37,069,881 fully paid ordinary shares will be issued in three annual tranches, each of 12,356,627 shares upon the future satisfaction of sales performance targets by Chemist Warehouse relating to the actual sales of Bubs products in Chemist Warehouse stores over a three-year period. Tranches three to five relate to sales performance targets for the years ending 30 June 2020, 30 June 2021 and 30 June 2022.

If the sales performance target is not achieved in any contract year but is achieved for any subsequent contract year, fully paid ordinary shares will be issued for the subsequent contract year as well as a pro rata number of fully paid ordinary shares for any prior contract year in which the fully paid ordinary shares were not issued based on the percentage of the sales target that was reached for the prior contract year. In addition, if Chemist Warehouse meets the total sale performance targets between commencement date and 30 June 2022, Bubs will issue the maximum number of shares, less any shares already issued.

The transaction is accounted in accordance with AASB 2 *Share-based Payment*. The details of the fair value of the shares to be issued are as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total $
Grant Date	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19	
Share price at grant date ($)	0.87	0.87	0.87	0.87	0.87	
Time to maturity	2 months	5 months - 10 months	1.1 years	2.1 years	3.1 years	
Expected dividend	Nil	Nil	Nil	Nil	Nil	
Value per share ($)	0.87	0.87	0.35	0.26	0.17	
Number of shares	2,974,272	9,382,355	12,356,627	12,356,627	12,356,627	49,426,508
Total value of shares ($)	2,587,616	8,162,649	4,300,106	3,225,080	2,150,053	20,425,504

RECOGNITION AND MEASUREMENT

The fair value of fully ordinary shares is recognised as a share based payment expense at grant date with a corresponding increase in the share based payments reserve. The fair value is measured at grant date with the Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The sales performance targets are considered to be non-vesting conditions.

When the fully ordinary shares are issued, the value of the shares will be transferred to the issued capital with a reduction in the share based payments reserve.

KEY ESTIMATE AND JUDGEMENT

In respect of the fee payable by Bubs to Chemist Warehouse, this is to be offset against the subscription price payable in respect of the issue of shares to Chemist Warehouse. Generally, payments to a customer for a distinct good or service are accounted for under *AASB 15 Revenue from Contracts with Customers*. The fee payable to Chemist Warehouse does not represent a payment for distinct goods or services. In addition, given that Bubs will issue shares, this is considered not to be consideration payable to a customer within the scope of AASB 15.

As a result, *AASB 2 Share-based Payments* has been applied. The Group has measured the services received by reference to the fair value of the equity instruments granted. In respect of tranches three to five, this relates to an unidentifiable good or service and is therefore a non-vesting conditions.

Estimating fair value of the fully ordinary shares requires determination of the most appropriate valuation methodology, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation including the probability of meeting the sales performance targets, grant date and share price and making assumptions about them.

B.5

OTHER INCOME

	2019 $	2018 $
Other income	98,895	61,410
Gain on disposal of joint ventures	937,185	-
Share of net profits of joint ventures accounted for using the equity method	187,464	132,437
Gain on disposal of Coach House Dairy assets	15,301	-
Total	1,238,845	193,847

Further details of the share of net profits of joint ventures accounted for using the equity method and carrying value of joint ventures at disposal date are disclosed in Note F Joint Ventures.

Further details of the carrying value of Coach House Dairy assets at disposal date are disclosed in Note C5 Intangible Assets.

B.6

LOSS PER SHARE (LPS)

	2019	2018
Loss attributable to the Group used in calculating basic and diluted EPS	(35,509,236)	(64,658,942)
Weighted average number of ordinary shares for basic EPS	455,620,266	325,899,681
Basic LPS (dollars)	(0.08)	(0.20)
Diluted LPS (dollars)*	(0.08)	(0.20)

* The Group has granted 6,277,355 options to employees that could potentially dilute basic earnings per share in the future but were not included in the calculation above because they are anti-dilutive for the period(s) presented.

RECOGNITION AND MEASUREMENT

Basic EPS is calculated as net loss attributable to the group divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

B.7

INCOME TAXES

	2019 $	2018 $
Consolidated profit or loss		
Income tax benefit		
Current tax	-	-
Deferred tax	72,797	1,562,243
Income tax benefit reported in the statement of profit or loss	72,797	1,562,243
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Accounting loss before income tax benefit	(35,582,033)	(66,221,185)
Income tax benefit calculated at 27.5% (2018: 27.5%)	(9,785,059)	(18,210,826)
Tax effect of amounts not taxable in calculating income tax benefit:		
Prior year adjustment	-	(132,456)
Share profit of joint ventures	(51,552)	(36,390)
Goodwill impairment	-	13,264,559
Share based payments	370,412	699,791
Share based payment - Corporate transaction	5,617,014	-
Non-deductible acquisition cost	31,407	292,008
Employee benefit liability - Nulac acquisition	1,621,849	2,069,879
Consideration payable fair value movement	-	45,223
Deferred consideration payable fair value movement	197,834	-
Income tax losses not recognised	1,865,952	431,576
Other	59,346	14,393
Income tax benefits	(72,797)	(1,562,243)

	DTL	DTA				
Movement in temporary differences	Provisions	Intangible assets	Capital raising costs	Other	Tax losses*	Total
At 30 June 2017	-	(199,338)	-	-	-	(199,338)
Deferred income tax (expense) / benefit	-	78,135	-	57,448	1,426,660	1,562,243
Acquired through business combination	-	(2,200,000)	-	-	-	(2,200,000)
Allowable tax deduction recognised in owner equity	-	-	837,095	-	-	837,095
At 30 June 2018	-	(2,321,203)	837,095	57,448	1,426,660	-
Deferred income tax (expense) / benefit	-	(22,000)	-	103,427	(8,630)	72,797
Acquired through business combination	-	(12,426,823)	-	-	-	(12,426,823)
Allowable tax deduction recognised in owner equity	-	-	-	-	-	-
At 30 June 2019	-	(12,522,749)	837,095	160,875	1,418,030	(12,354,026)

*As at 30 June 2019, deferred tax assets of $1,418,030 (FY18: $1,426,660) relating to recognised tax losses were recognised and offset against the deferred tax liability from taxable temporary differences.

RECOGNITION AND MEASUREMENT

The income tax expense or benefit for the year is the tax payable on that year'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 years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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.

Bubs Australia Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group ('TCG') and Bubs Australia Limited is the head entity of the tax consolidated group. Current and deferred tax amounts and assumes those from subsidiaries in the TCG are recognised within the head entity.

Delaine Dairy is not part of the TCG, the current and deferred tax amounts have been recognised at its own entity level.

KEY ESTIMATE AND JUDGEMENT

RECOVERY OF DEFERRED TAX ASSETS

Judgement is required to be made by the group in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. As detailed above, in the year ended 30 June 2019, Bubs has recognised deferred tax assets of $94,797 (2018: $1,484,108) primarily relating to temporary differences impacting the profit or loss. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Probable is considered more likely than not.

Judgement is required when deferred tax assets are reviewed at each reporting date. Deferred tax assets may be reduced to the extent that it is no longer probable that future taxable profits will be available.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

Changes in expectations for the future performance of the business may impact the amount of deferred tax assets recoverable and recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. At 30 June 2019, the Group had $8,988,100 (2018: $6,100,064) of unrecognised tax losses. The Group is currently undergoing an assessment of the availability of these losses to the Group. The potential tax benefit relating to future tax losses, in addition to that detailed above, has not being recognised due to the history of recent losses incurred by the Group.

C. OPERATING ASSETS AND LIABILITIES

This section provides details of the Group's operating assets, and liabilities incurred as a result of trading activities, used to generate the Group's performance.

C.1

TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Trade debtors	8,311,802	2,855,303
Allowance for doubtful debt	(3,755)	(1,266)
Loan to Uphamgo Australia Pty Ltd	-	600,000
Deferred consideration receivable	3,493,000	-
Other receivables	956,828	466,286
Working capital adjustment	2,794,927	92,499
	15,552,802	4,012,822

Working capital adjustment relates to the acquisition of Deloraine Dairy. Further details of the business combination are disclosed in Note E Acquisition of subsidiary. In FY18, the working capital adjustment relates to the acquisition of Nulac Foods Pty Ltd. The balance was received in full in FY19. Further details are disclosed in the FY18 annual report.

Deferred consideration receivable relates to the cash consideration of the disposal of Bubs' 49.9% interest in UphamGo Australia Pty Ltd, Cambria Management Company Pty Ltd, Cambria Unit Trust and New Zealand Nutritional Goat Company Limited. The cash consideration is deferred to 20 February 2020.

The Group's exposure to credit risks related to trade and other receivables are disclosed in Note D2 Financial risk management.

RECOGNITION AND MEASUREMENT

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under *AASB15 Revenue from Contracts with Customers*. Further details are disclosed in Note B2 Revenue.

Financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The Group's trade and other receivables and financial assets are measured at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The Group adopted a forward-looking expected credit loss (ECL) approach for impairment losses for ECLs for financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

KEY ESTIMATE AND JUDGEMENT

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

C.2

INVENTORIES

	2019 $	2018$
Raw materials	2,624,457	499,388
Finished goods at cost	11,927,943	5,519,130
	14,552,400	6,018,518

The amount of inventory that was written off during the period was $744,845 (2018: $258,802).
An adjustment of $36,993 (2018: $351,825) was made on inventories carried at net realisable value.
$30,668,221 (2018: $13,237,933) inventories were recognised as an expense during the year.

RECOGNITION AND MEASUREMENT

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using weighted average methods. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

KEY ESTIMATES AND JUDGEMENTS

RECOVERY OF INVENTORY

Estimation of net realisable value includes assessment of expected future turnover of inventory held for sale and the expected future selling price of such inventory. Changes in trading and economic conditions, and changes in country specific regulations, may impact these estimations in future periods.

C.3

OTHER ASSETS

	2019 $	2018 $
Prepayments and other assets	239,219	703,595
Deposits paid	596,939	-
Inventories paid in advance	426,717	4,183,942
Security bond	373,688	-
	1,636,563	4,887,537

RECOGNITION AND MEASUREMENT

Inventories paid in advance

Inventories paid in advance represent payments for purchases of finished goods prior to ownership passing to the Group.

Deposits paid

Deposits paid represent payments to suppliers in relation to goods received or services rendered. These deposits are refundable to the Group.

Security bond

Security bond represents payments to the landlord securing the obligations of the Group under the lease contract of Deloraine Dairy site.

C.4

PLANT AND EQUIPMENT

	Building and improvements $	Production equipment $	Motor Vehicle $	Office equipment $	Total $
Cost					
As at 1 July 2017	-	108,494	-	32,001	140,495
Additions	-	14,263	-	13,308	27,571
Disposals	-	(49,027)	-	-	(49,027)
As at 30 June 2018	-	73,730	-	45,309	119,039
Additions	-	45,777	-	36,950	82,727
Acquisition of a subsidiary	1,371,300	2,707,170	25,000	70,730	4,174,200
Disposal	-	-	-	(9,320)	(9,320)
As at 30 June 2019	1,371,300	2,826,677	25,000	143,669	4,366,646
Accumulated Depreciation					
As at 1 July 2017	-	(66,201)	-	(8,268)	(74,469)
Depreciation	-	(33,370)	-	(11,404)	(44,774)
Disposal	-	47,509	-	-	47,509
As at 30 June 2018	-	(52,062)	-	(19,672)	(71,734)
Depreciation	(16,170)	(50,102)	(416)	(22,483)	(89,172)
Disposal	-	-	-	8,035	8,035
As at 30 June 2019	(16,170)	(102,165)	(416)	(34,120)	(152,871)
Net book value	-	-	-	-	-
As at 30 June 2018	-	21,668	-	25,637	47,305
As at 30 June 2019	1,355,130	2,724,512	24,584	109,549	4,213,775

RECOGNITION AND MEASUREMENT

Plant and equipment are 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 plant and equipment over their expected useful lives as follows:

- Building and improvements 17-19 years
- Production equipment 12-19 years
- Motor Vehicle 12 years
- Office equipment 2-13 years

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

An item of 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.

Plant and equipment acquired in the Deloraine Dairy acquisition was initially recognised at cost, being the fair value at the acquisition date. Further details are disclosed in Note E Acquisition of subsidiary.

C.5

INTANGIBLE ASSETS

	Goodwill $	Brand name $	Licence $	Priority right $	Customer contract/ list $	Recipes $	Patents, trademarks and software $	Total $
Cost								
As at 1 July 2017	1,478,251	591,634	–	-	265,731	47,740	52,188	2,434,554
Acquisition of a subsidiary	72,212,166	4,500,000	–	-	3,500,000	-	-	80,212,166
As at 30 June 2018	73,690,417	5,091,634	–	-	3,765,731	47,740	52,188	82,647,710
Acquisition of a subsidiary	16,924,256	-	38,489,095	-	3,094,033	-	58,444	58,565,828
Addition	-	–	–	1,800,000	-	-	-	1,800,000
Disposal	-	(400,000)	-	-	(100,000)	-	-	(500,000)
As at 30 June 2019	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	110,632	142,513,538
Amortisation and impairment								
As at 1 July 2017	(904,180)	–	–	-	(204,048)	(36,649)	(15,220)	(1,160,097)
Amortisation	-	–	–	-	(238,639)	(9,547)	(13,021)	(261,207)
Impairment	(48,234,760)	–	–	–	-	-	-	(48,234,760)
As at 30 June 2018	(49,138,940)	–	-	-	(442,687)	(46,196)	(28,241)	(49,656,064)
Amortisation	-	–	(349,901)	(300,000)	(420,466)	(1,544)	(17,872)	(1,089,783)
Disposal	-	–	-	-	15,301	-	-	15,301
As at 30 June 2019	(49,138,940)	–	(349,901)	(300,000)	(847,852)	(47,740)	(46,113)	(50,730,546)
Net book value								
At 30 June 2018	24,551,477	5,091,634	–	-	3,323,044	1,544	23,947	32,991,646
At 30 June 2019	41,475,733	4,691,634	38,139,194	1,500,000	5,911,912	-	64,519	91,782,992

On 30 June 2019, the Group disposed of Coach House Dairy related assets with a total carrying amount of $484,699 for cash consideration of $500,000. The gain on the disposal was recognised as part of other income in the statement of profit or loss and disclosed in Note B5 Other Income.

Brand name, customer contract/list, licence, priority right and goodwill are allocated to the following cash generating units (CGUs) for the purposes of impairment testing: Infant Food Co $1,165,712 (2018: $1,174,297); Nulac Foods $32,457,159 (2018: $31,791,858) and Deloraine Dairy $58,095,603 (2018: Nil).

RECOGNITION AND MEASUREMENT

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

GOODWILL

Goodwill is recognised on business acquisitions, representing the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

BRAND NAMES

Brand names are considered to have an indefinite life and are not amortised. As at 30 June 2019, these assets were tested for impairment.

LICENCE

The licence represents the CNCA (Certification and Accreditation Administration of the People's Republic of China) licence that Deloraine Dairy currently holds. The licence is amortised on a straight-line basis over the period of the expected benefit, being the definite life of 22 years.

CUSTOMER CONTRACT LIST

Customer contract/lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being the definite life of 10 years.

PRIORITY RIGHT

Priority right represents the priority right of processing and manufacturing goat milk at Uphamgo Australia. The amount is amortised on a straight-line basis over the two year agreement with the commencement date of 28 February 2018.

Further details on goodwill, customer list and licence recognition arising from Deloraine Dairy acquisition are disclosed in Note E Acquisition of subsidiary.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS (CGUS) INCLUDING GOODWILL

GOODWILL AND BRAND NAMES ALLOCATION

For the purposes of impairment testing, goodwill and brand names are allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill and brand names are monitored by internal management and are no higher than an operating segment as follows:

	2019	2018
Infant Food Co	1,165,705	1,165,705
Nulac Foods [4]	28,077,406	28,477,406
Deloraine Dairy	16,924,256	-
	46,167,367	29,643,111

4 Goodwill and brand names allocated to Nulac Foods in FY18 were $76,712,166. An impairment of $48,234,760 was recognised in FY18.

RECOGNITION AND MEASUREMENT

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised on the consolidated statement of profit or loss and other comprehensive income.

KEY ESTIMATES AND JUDGEMENTS

GOODWILL AND INTANGIBLES

Judgements are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually. These calculations involve judgements to estimate the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

ANNUAL IMPAIRMENT TESTING AT 30 JUNE 2019

The recoverable amount of the CGUs to which goodwill and indefinite life brand names were allocated has been determined on a value in use basis using a discounted cash flow approach, and projections based on financial budgets and five-year forward plans approved by the Board.

KEY ASSUMPTIONS

	2019			2018		
	Infant Food Co	Nulac Foods	Deloraine Dairy	Infant Food Co	Nulac Foods	Deloraine Dairy
Discount rate (post tax)	12.90%	11.90%	11.91%	12.90%	11.90%	-
Discount rate (pre tax)	18.50%	16.40%	17.01%	18.50%	16.40%	-
Terminal growth	2.50%	2.50%	2.50%	2.50%	2.50%	-

SENSITIVITY TO CHANGE IN ASSUMPTIONS

The calculation of value in use for the above CGUs is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Revenue growth during the forecast period
- Growth rates used to extrapolate cash flows beyond the forecast period (terminal growth rate)

Gross margins – Gross margins are based on budgeted margins for FY20, and conservative estimates for future years, which have been adjusted where appropriate to account for expected future trading conditions. Consideration has been given to the growth profile of each CGU when forecasting future margin returns.

Discount rates – Discount rates represent the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying cash flows expected from the CGU being assessed. CGU specific risk is incorporated by applying individual beta factors. The discount rate calculation is based on the specific circumstances of each CGU and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the CGU's investors. The cost of debt is derived from the interest rate of the CGU's working capital facility.

Revenue growth – Revenue projections have been constructed with reference to the FY19 results and five-year forward-looking plans with the earlier years being estimated through specific volume assumptions based on known opportunities, while years thereafter are adjusted for performance trends across the particular regions. A conservative approach has been adopted by the Group to reduce the risk of inflating estimated recoverable values. Management assesses the reasonableness of the growth assumptions by reviewing the achieved growth of comparable entities in the nutritional products industry.

Terminal growth rate – A terminal growth rate of 2.5% (2018: 2.5%) has been used for future cash flow growth beyond the five-year forecast period for all CGUs. This is a conservative rate when compared to annual growth rates during the forecast period.

The terminal value (being the total value of expected cash flows beyond the forecast period) is discounted to present values using the discount rate specific to each CGU.

As a result of this testing, the recoverable amount of each CGU exceeded its carrying amount and no impairment loss has been recognised on intangible assets that are subject to goodwill impairment testing. (2018: $48,234,760 goodwill impairment on Nulac Foods CGU).

Management has identified that a reasonably possible change in three key assumptions could have an impact on the recoverable amount of each CGU. The following table shows the impact on the recoverable amount. No reasonably possible change as described below would result in an impairment to any CGU:

		Impact on recoverable amount		
	% change	Infant Food Co	Nulac Foods	Deloraine Dairy
Discount rate	0.5%	(8,572,078)	(3,356,174)	(4,572,656)
Budgeted gross revenue growth	-5%	(21,908,924)	(20,937,740)	(5,701,309)
Budgeted gross margin	-1%	(11,986,290)	(2,991,830)	(3,251,692)

C.6

TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	4,152,617	4,231,394
Other payables	1,345,667	1,073,081
Customer deposit	602,743	-
Priority right payable	1,800,000	-
Payable to associates	1,030,470	-
	8,931,497	5,304,475

Further details of payable to associates relating to Bubs Brand Management is disclosed in Note G Associates.

RECOGNITION AND MEASUREMENT

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost due to their short-term nature, and they are not discounted. They represent liabilities recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services. The amounts are unsecured.

The carrying value of trade and other payables approximates their fair value.

Customer deposit

Customer deposits are cash considerations received from customers in relation to the packaging service to be provided by the Group after obtaining the approval from the People's Republic of China on its brand slot application ("SAMR registration"). Deposits are refundable to the customer.

Priority right payable

Priority right payable represents the amount payable to Uphamgo Australia to secure the priority of processing and manufacturing goat milk at Uphamgo Australia during the term of the agreement.

There is no impact on the accounting for the Group's financial liabilities under *AASB 9 Financial Instruments.*

C.7

CONTRACT LIABILITIES

	2019 $	2018 $
Contract liabilities	926,382	-
	926,382	-

$125,013 included in contract liabilities at the Deloraine Dairy acquisition date was recognised as revenue during the year.

RECOGNITION AND MEASUREMENT

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier). Income received in advance are recognised as revenue when the Group satisfies the performance obligations under the contract.

C.8

BORROWINGS

	2019 $	2018 $
Borrowings	2,000,000	2,000,000
	2,000,000	2,000,000

Nulac Foods Pty Ltd has a working capital facility with National Australia Bank. The aggregate amount of $2 million was fully drawn at 30 June 2019. Bubs Australia Limited is the guarantor of the facility.

RECOGNITION AND MEASUREMENT

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.

The carrying value of borrowings approximates their fair value.

C.9

PROVISION

	2019 $	2018 $
Current		
Annual leave and long service leave	291,870	151,694
Lease liability	29,924	-
Supplier contract liability	1,800,000	-
Other provision	235,616	-
	2,357,410	151,694
Non - Current		
Long service leave	25,505	5,654
Lease liability	441,198	-
Make good provision	87,246	-
	553,949	5,654

RECOGNITION AND MEASUREMENT

Annual leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Supplier contract liability

Deloraine Dairy entered into a manufacturing agreement which has minimum volume commitments over the term of the agreement. Where Deloraine Dairy is not able to fulfil minimum volume commitments, it is required to make production shortfall payments. A provision is raised when production thresholds have not been met.

Lease liability

The Group records the lease incentives as a liability that are expensed over the lease term as a reduction of rental expense. The liability has been calculated based on the difference between the market rate and the rate paid.

Other provision

An employee costs provision relating to the expected termination settlement with the previous CEO.

C.10

CONSIDERATION PAYABLE

As part of the acquisition of Nulac Foods in FY18, a deferred consideration of up to $1,488,327 is payable in cash in the event that any of the 9,417,350 options outstanding as at 20 December 2017 are exercised, to adjust for the dilution of the consideration shares issued to Nulac vendors. Payments are due to be made within 30 days of the relevant option exercise date. During the year, 7,910,805 options were exercised. As at 30 June 2019, a deferred consideration of up to $238,095 is payable in cash in the event that the remaining 1,506,545 options are exercised.

C.11

EMPLOYEE BENEFIT LIABILITY – NULAC ACQUISITION

	2019 $	2018 $
Current	6,700,000	3,350,000
Non - Current	-	4,152,367

As part of Nulac Foods acquisition in FY18, a total amount of up to $13.4 million was payable by the Group in relation to Uphamgo Australia Pty Ltd upon the future satisfaction of certain performance targets, including production, specification, quality assurance and continuous employment related targets. This amount includes up to $6.7 million payable following the achievement of the performance targets in the period ending 20 December 2018, and up to $6.7 million payable following the achievement of the performance targets in the period ending 20 December 2019. These payments are not contingent consideration as defined in the Australian Accounting Standards, and instead are accounted for in accordance with *AASB119 – Employee Benefits,* as expenses relating to future activities including continuing services of employees of Uphamgo Australia Pty Ltd.

$7,502,367 representing the employee benefit liability at 30 June 2018 was recognised in FY18. During the year, the Group paid $6,700,000 to Nulac vendors following the achievement of the performance targets in the period ending 20 December 2018. The remaining $6,700,000 is payable following the achievement of the performance targets in the period ending 20 December 2019.

C.12

SHARE BASED PAYMENT LIABILITY

	2019 $	2018 $
Current	1,946,169	-
Non - Current	593,477	-

As part of the Chemist Warehouse transaction, the Group is required to pay cash for the GST component relating to the shares to be issued to Chemist Warehouse. This has been presented as a share based payment liability. This amount is expected to be fully recoverable and a corresponding GST receivable has been recorded.

D. CAPITAL AND FINANCIAL RISK MANAGEMENT

This section outlines how the Group manages its capital structure and its exposure to financial risk, and provides details of its balance sheet liquidity and access to financing facilities.

D.1

CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern so that in due course it can provide returns for stakeholders and maintain an optimum capital structure.

In order to maintain or adjust the capital structure, the Group manages the level of debt such that it remains prudent and facilitates the execution of the operational plan and provides flexibility for growth.

D.2

FINANCIAL RISK MANAGEMENT

Exposure to credit risk, foreign currency risk and liquidity risk arises in the normal course of the Group's business.

The Group's financial risk management processes and procedures seek to minimise the potential adverse impacts that may arise from the unpredictability of financial markets.

Policies and procedures are reviewed periodically to reflect both changes in market conditions and changes in the nature and volume of Group activities.

As at 30 June 2019 there were no derivative financial instruments in place. Specific risk management objectives and policies are set out below.

The Group uses various methods to measure different types of risk exposures. These methods include ageing analysis for credit risk, and sensitivity analysis in the case of foreign exchange risks and equity price risk.

In 2019, as part of Deloraine Dairy acquisition, a loan with the previous shareholders of $8,790,630 was repaid in full by the Group.

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Maximum exposures to credit risk at balance date:	2019 $	2018 $
Cash and cash equivalent (counterparty risk)	23,291,058	38,642,902
Trade receivables (customer credit risk)	8,308,047	2,854,037
Deferred consideration receivable	3,493,000	-
Working capital adjustment	2,794,927	-
Loan to Uphamgo Australia Ltd	-	600,000
Other receivables	956,828	558,785
	38,843,060	42,655,724

COUNTERPARTY RISK

At balance date, the Group's bank accounts were held with National Australia Bank Limited, Australia and New Zealand Bank Limited and Commonwealth Bank of Australia. The Group does not have any other concentrations of counterparty credit risk.

CUSTOMER CREDIT RISK

The Group's exposure to customer credit risk is influenced mainly by the individual characteristics of each customer. The majority of sales are to major retailers with established creditworthiness and minimum levels of default. Other sales are made cash on delivery.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, previous trading experience and other factors.

In monitoring customer credit risk, customers are assessed individually by their debtor ageing profile. Monitoring of receivable balances on an ongoing basis minimises the exposure to bad debts.

There is significant concentration of credit risk within the Group. In FY19, 24% of sales were to one customer (2018: 23% sales to one customer). There is no history of default for this customer.

For trade receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

OTHER CREDIT RISK

The Group is exposed to related party credit risk and other credit risk. In monitoring related party credit risk and other credit risk, the related parties and counterparties are analysed individually for creditworthiness, taking into account credit ratings where available, financial position and other factors.

Ageing of trade receivables at the reporting date:

	2019 $	2018 $
Neither past due nor default	3,447,415	1,642,546
Past due:		
Past due up to 30 days	4,747,038	1,048,085
Past due 31 to 60 days	99,502	81,418
Past due 61 to 90 days	1,039	46,304
Past due more than 90 days	13,053	35,684
	8,308,047	2,854,037

Movement in allowance for doubtful debts

	2019 $	2018 $
Allowance of doubtful debts		
Balance at beginning of the year	1,266	5,000
Amount charged to the statement of comprehensive income	42,150	12,135
Provision utilised	(39,661)	(15,869)
Balance at the end of year	3,755	1,266

MARKET RISK

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings in financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates to the AUD dollar.

Market risk exposures are monitored by management on an ongoing basis and there has been no change during the year to the Group's exposure to market risks or the manner in which it manages and measures risk.

FOREIGN CURRENCY RISK MANAGEMENT

The Group enters into the transaction in Australia, New Zealand, China and Europe and is exposed to currency risk arising from movements in the currencies of those countries against the AUD dollar.

Expressed in AUD dollars, the table below indicates material exposure and sensitivity to movements in exchange rates on the profit or loss of the Group based on closing exchange rates as at 30 June, applied to the Group's financial assets/ (liabilities) at 30 June.

Exchange rates and assets and liabilities held in foreign currencies will fluctuate over the course of normal operations. The analysis is performed consistently from year to year.

2019	Net exposure on reporting date (Payable)/Receivable	Impact on pre-tax profit / (loss)	
Movement on exchange rate	**$**	**+10% $**	**-10% $**
NZ Dollar	(271,771)	24,706	(30,197)
USD	14,761	(1,342)	1,640
RMB	59,414	(5,401)	6,602
Euro	196,045	(17,822)	21,783
Net exposure	1,551	(141)	(172)

2018	Net exposure on reporting date	Impact on pre-tax profit / (loss)	
Movement on exchange rate	**$**	**+10% $**	**-10% $**
NZ Dollar	510,189	(49,785)	52,527
USD	23,424	(2,876)	3,515
RMB	139,624	(12,693)	15,514
Net exposure	673,237	(65,354)	71,556

INTEREST RISK MANAGEMENT

The Group's main interest rate risk arises from borrowings, which expose the Group to cash flow interest rate risk. The risk is considered immaterial.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. This risk is managed by establishing a target minimum liquidity level, ensuring that ongoing commitments are managed with respect to forecast available cash inflows.

The Group holds significant cash reserves which enable it to meet its obligations as they fall due, and to support operations in the event of unanticipated external events.

The Group has one working capital facility with $2,000,000 (2018: $2,000,000) fully drawn at 30 June 2019.

Contractual undiscounted maturities of financial liabilities:

		Contractual cashflows					
2019	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Consideration payable	238,095	238,095	-	238,095	-	-	-
Employee benefit liability - Nulac acquisition	6,700,000	6,700,000	-	6,700,000	-	-	-
Deferred consideration payable	12,347,062	12,347,062	-	5,000,000	3,912,251	3,434,811	-
Priority right payable	1,800,000	1,800,000	-	1,800,000	-	-	-
Trade and other payables	5,498,284	5,498,284	5,498,284	-	-	-	-
Borrowings	2,000,000	2,000,000	2,000,000	-	-	-	-
Payable to associates	1,030,470	1,030,470	1,030,470	-	-	-	-
Supplier contract liability	1,800,000	1,800,000	1,000,000	800,000	-	-	-
	31,413,911	31,413,911	9,528,754	14,538,095	3,912,251	3,434,812	-

		Contractual cashflows					
2018	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Consideration payable	1,488,327	1,488,327	-	1,488,327	-	-	-
Trade and other payables	5,304,475	5,304,475	5,304,475	-	-	-	-
Borrowings	2,000,000	2,000,000	2,000,000	-	-	-	-
	8,792,802	8,792,802	7,304,475	1,488,327	-	-	-

D.3

CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and on hand	23,291,058	38,642,902
	23,291,058	38,642,902

Interest is earned at floating rates based on daily bank deposit rates.

RECOGNITION AND MEASUREMENT

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

The carrying value of cash and cash equivalents approximates their fair value.

D.4

CASH FLOW INFORMATION

Reconciliation of after tax profit with net cash flows from operating activities.

	2019 $	2018 $
(Loss) after income tax benefits for the year	(35,509,236)	(64,658,942)
Income tax benefits	(72,797)	(1,562,242)
Share-based payments	1,346,954	2,544,696
Share-based payments - Corporate transaction	20,425,504	-
Unwinding of deferred consideration payable	719,396	164,447
Employee benefit expense – Nulac acquisition	5,897,633	-
Depreciation and amortisation	1,178,954	309,007
Goodwill impairment	-	48,234,760
Equity accounting profit	(187,464)	(132,437)
Foreign currency reserve	1,967	-
Gain on disposal of JVs	(937,185)	-
Gain on disposal of Coach House Dairy assets	(15,301)	-
Gain on disposal of plant and equipment	(424)	-
Decrease / (increase) in trade and other receivables	(5,578,137)	(911,915)
Decrease / (increase) in inventories	(7,423,338)	(1,137,101)
Decrease / (increase) in other assets	4,272,024	(4,413,480)
Increase / (decrease) in trade and other payables	(9,613,288)	8,809,137
Increase/ (decrease) in provisions	386,139	(20,482)
Net cash outflow from operating activities	(25,108,599)	(14,336,794)

D.5

SHARE CAPITAL

	2019		2018	
	Shares	$	Shares	$
Movement in share capital				
Balance at beginning of the year	436,194,415	142,189,264	238,820,888	15,082,928
Issue of shares as part of acquisition	15,384,615	13,384,615	76,802,684	54,529,906
Exercise of options	7,910,805	791,081	5,000	500
Placement of shares	-	-	8,331,933	4,999,160
Share purchase plan	50,100,222	32,738,477	112,233,910	69,785,259
Share issue transactions costs	-	(44,287)	-	(2,208,489)
Balance at end of year	509,590,057	189,059,150	436,194,415	142,189,264

Fully paid ordinary shares carry one vote per share and carry right to dividends.
Fully paid ordinary shares have no par value.

Further details on corporate transaction equity expense are disclosed in Note B3 Expenses.

D.6

RESERVE

	2019 $	2018 $
Balance at the beginning of the year	3,106,465	561,769
Share based payment	1,346,954	2,544,696
Share based payment – Corporate transaction	20,425,504	-
Balance at the end of the year	24,878,923	3,106,465

SHARE BASED PAYMENTS RESERVE

The equity settled payments reserve is used to record the value of share-based payments. Further details are disclosed in Note I2 Share based payments and Note B4 Share based payment expense – Corporate transaction.

D.7

OPERATING LEASE COMMITMENTS

The Group has entered into operating leases for office and industrial premises. All lease contracts contain market review clauses in the event that the Group exercises its option to renew.

NON-CANCELLABLE OPERATING LEASE PAYMENTS

At the end of the reporting period, the future minimum lease payments under non- cancellable operating leases are payable as follows:

	2019 $	2018 $
Less than one year	536,019	117,603
Between one and five years	1,992,140	137,209
More than five years*	1,270,878	-
	3,799,037	254,812

*Balance disclosed does not include the exercising of lease extension options.

RECOGNITION AND MEASUREMENT

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

GROUP AS A LESSEE

Leases under which a significant proportion of the risks and rewards remain with the lessor are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

D.8

CONTINGENT LIABILITIES

As at 30 June 2019, there were no material contingent liabilities (2018: $nil).

E. ACQUISITION OF SUBSIDIARY

E.1 ACQUISITION OF SUBSIDIARY

On 18 April 2019, the Group acquired 100% of the issued shares in Australia Deloraine Dairy Group Limited, one of 15 licenced canning facility in Australia authorised by the Certification and Accreditation of China (CNCA) for physical importation into China under regulatory requirements administered by State Administration for Market Regulation (SAMR), with the following purchase consideration:

	$
Cash	16,209,370
Deferred consideration	11,627,666
Working capital adjustment	(2,794,927)
Ordinary shares issued	13,384,615
Total Purchase Consideration	38,426,724

In addition to the above, the loan owing to the Deloraine Dairy vendors (pre-acquisition shareholders) was repaid in full being an amount of $8,790,630.

The terms of payment of the deferred consideration in relation to Deloraine Dairy acquisition have been updated since the acquisition date of 18 April 2019. As announced on 1 April 2019, $15 million of the consideration would be payable to the Deloraine vendors in equal instalments over a three year period was subject to certain performance targets being met. The performance targets related to the ongoing employment of Jason (Yulin) Qi by Deloraine and the consultancy agreement between Bubs and Weiwen Zhu. Bubs subsequently confirmed with the Deloraine vendors that these performance targets have been removed with effect from 29 March 2019, being the date of the Sale and Purchase Agreement. As a result, the $15 million of deferred consideration will be automatically payable to the Deloraine vendors over the three year period. The value of the deferred consideration payable of $11,627,666 was estimated by calculating the present value of future expected cash flows.

At 30 June 2019, the deferred consideration has been recorded as a current liability of $5,000,000 and a non-current liability of $7,347,062 on the consolidated statement of financial position. The difference of $719,396 has been recorded as a finance cost in the consolidated statement of profit or loss and other comprehensive income. A reconciliation of fair value measurement of the deferred consideration payable is provided below:

As at 1 July 2018	-
Liability arising on acquisition	$11,627,666
Unwinding of the deferred consideration payable recognised in profit or loss	$719,396
As at 30 June 2019	$12,347,062

In addition, a cash adjustment is expected to be made in May 2020 relating to a net asset adjustment based on the values of certain accounts on the balance sheet of Deloraine Dairy as at the acquisition date, including inventories, receivables and trade and other payables. The adjustment has been estimated as a cash payment to the Group of $2,794,927.

15,384,615 shares were issued at $0.87 per share as part of the consideration ($13,384,615).

ANALYSIS OF CASHFLOWS ON ACQUISITION

	$
Cash consideration	16,209,370
Cash balances acquired	(252,505)
Net outflows of cash	15,956,865

A total amount of $221,799 transaction costs in relation to the acquisition are included in cash flows from operating activities.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	$
Cash and cash equivalents	252,505
Trade receivables	265,056
Inventories	1,110,546
Other assets	557,140
Security bond	371,402
Deposits paid	101,365
Plant and equipment	4,174,200
Intangible assets - software and trademarks	58,444
Intangible assets - licence	38,489,095
Intangible assets – customer contract	3,094,033
Trade and other payables	-236,055
Customer deposit	-1,874,458
Proforma invoice	-1,275,479
Provisions	-567,873
Supplier contract liability	-1,800,000
Shareholder loan	-8,790,630
Deferred tax liability	-12,426,823
Net assets	21,502,468
Total Purchase Consideration	38,426,724
Goodwill	16,924,256

The fair value and gross amount of the trade receivables is $265,056 and it is expected that the full contractual amounts will be collected.

The goodwill of $16,924,256 comprises the value of expected synergies arising from the acquisition and a pre-existing customer relationship with Bubs, which is not separately recognised. Goodwill is allocated entirely to the Deloraine Dairy CGU. None of the goodwill recognised is expected to be deductible for income tax purposes.

Deloraine Dairy acquisition was accounted for on a provisional basis at 30 June 2019.

REVENUE AND PROFIT CONTRIBUTION

The acquired business of Deloraine Dairy contributed revenues of $490,825 and net loss of $131,799 to the Group for the period from 19 April to 30 June 2019. If the acquisition had taken place at 1 July 2018, Deloraine Dairy would have contributed revenue of $1,194,037 and the net loss before tax of $3,963,695.

RECOGNITION AND MEASUREMENT

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

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

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

Deferred consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent unwinding of the deferred consideration is recongised in profit or loss as finance costs.

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

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

F. JOINT VENTURES

On 28 February 2019, the Group disposed of its holdings, 49.9% of the issued shares in Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Management Company Pty Ltd and Cambria Unit Trust with a total carrying amount of $2,555,815 for cash consideration of $3,493,000. The cash consideration is deferred to 20 February 2020. The gain on these disposals was recognised as part of other income in the statement of profit or loss. Further details are disclosed in Note B4 Other income.

RECOGNITION AND MEASUREMENT

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

G. ASSOCIATES

On 6 May 2019, the Group and Beingmate Baby & Child Food Co., Ltd ('Beingmate') established a joint venture company Bubs Brand Management Shanghai Co. Ltd ('Bubs Brand Management'). The Group is required to contribute 49% of registered capital (RMB 4,900,000, equivalent AUD of $1,030,470). A corresponding payable has been recorded at 30 June 2019.

The Group has determined that it does not have joint control of Bubs Brand Management and is therefore outside the scope of AASB 11 Joint Arrangements. As such, The Group's investment in Bubs Brand Management will be accounted for as an associate under *AASB 128 Investments in Associates and Joint Ventures.*

No transactions incurred in the associate in FY19.

The associate has no contingent liabilities or capital commitments as at 30 June 2019.

RECOGNITION AND MEASUREMENT

The financial results of the associate are used by the Group to apply the equity method. Where associates apply different accounting policies to the Group, adjustment are made upon application of the equity method.

Investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less impairment in value. The consolidated Statement of Profit or Loss reflects the Group's share of the results of operations of the associate.

Where there has been a change in the associates OCI or equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated Statement of Other Comprehensive Income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long term receivables and loans, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

H. GROUP STRUCTURE

H.1 PARENT ENTITY

Bubs Australia Limited is the ultimate parent of the Group.

H.2 SUBSIDIARIES

	Country of incorporation	Principal Activity	Class or Shares	% Owned 2019	% Owned 2018
Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)	Australia	Non-trading Holding Company	Ordinary	-	-
The Infant Food Co. Pty Limited	Australia	Trading Company	Ordinary	100%	100%
Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Holder of IP and trademarks	Ordinary	100%	100%
Nulac Foods Pty Ltd	Australia	Trading Company	Ordinary	100%	100%
Bubs New Zealand Pty Limited (newly incorporated on 30 November 2018)	New Zealand	Trading Company	Ordinary	100%	-
Australia Deloraine Dairy Group Limited (acquired in business combination. Further details are disclosed in Note E Acquisition of subsidiary)	British Virgin Island	Non-trading Holding Company	Ordinary	100%	-
Australia Deloraine Dairy Pty Ltd (acquired in business combination. Further details are disclosed in Note E Acquisition of subsidiary)	Australia	Trading Company	Ordinary	100%	-

H.3 PARENT ENTITY INFORMATION

Set out below is the supplementary information of the legal parent entity.

	2019 $	2018 $
Result of parent entity		
Loss for the year	(29,036,379)	(60,274,364)
Other comprehensive income	-	-
Total comprehensive loss for the year	(29,036,379)	(60,274,364)
Financial position of parent entity at year end		
Current assets	8,340,374	50,757,799
Total assets	152,318,984	98,572,983
Current liabilities	3,225,016	4,805,059
Total liabilities	23,103,651	8,963,614
Issued share capital	216,220,846	169,350,961
Reserves	24,878,923	3,106,465
Accumulated losses	(111,884,436)	(82,848,057)
Total Equity	129,251,333	89,609,369

I. OTHER DISCLOSURES

I.1 RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having significant authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel compensation:

	2019 $	2018 $
Short-term employee benefits	1,270,224	737,737
Post-employment benefits	100,944	64,488
Long-term benefits	25,256	29,637
Share-based payments	1,346,954	2,544,696
Key management personnel disclosures	2,743,378	3,376,558

TRANSACTIONS WITH RELATED PARTIES

The following table provides details of transactions that were entered into for the relevant financial year.

	Sales to related parties		Purchases from related parties		Amounts owed to related parties		Loan to related parties		Amounts owed by related parties	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Director of the Group:										
Professional services fee to BDO Australia Ltd	-	-	181,794	461,256	64,538	53,480	-	-	-	-
Joint venture in which the parent is a venturer:										
Cibus Goats (Australia) Pty Ltd*	-	-	5,648,592	2,894,258	29,037	629,748	-	-	-	-
New Zealand Nutritional Company	6,838	-	9,335,643	1,575,013	-	441,999	-	-	-	-
UphamGo Australia Pty Ltd	110,535	-	7,722,603	4,771,541	-	1,337,677	-	600,000	-	600,000
Total	117,373	-	22,888,632	9,702,068	93,575	2,462,904	-	600,000	-	600,000

* J. Gommans is a director in Cibus Goats (Australia) Pty Ltd, New Zealand Nutritional Company and Uphamgo Australia Pty Ltd. As J. Gommans resigned from the Board on 18 April 2019, Cibus Goats (Australia) Pty Ltd, New Zealand Nutritional Company and Uphamgo Australia Pty Ltd are not considered related parties from 19 April 2019.

Bubs Australia is committed to purchase a minimum of 3,140,000 Litres of milk from Cibus Goats (Australia) Pty Ltd each year during the term of the contract. J. Gommans is a director in Cibus Goats (Australia) Pty Ltd.

All of the above transactions were considered to be on an arms' length basis.

1.2

SHARE BASED PAYMENTS

Share based payments expense in relation to options exercisable is as follows:

	2019 $	2018 $
Employee options issued to the previous CEO	-	2,542,604
Employee options issued to the current CEO	1,346,954	2,092
	1,346,954	2,544,696

The movements in the options are as follows:

	Options #
Balance at 1 July 2017 (Exercisable at $0.10)	9,417,350
Options granted to the previous CEO during the year (Exercisable at $0.10)	8,348,918
Options forfeited during the year (Exercisable at $0.10)	(4,770,810)
Options granted to the current CEO during the year (Exercisable at $0.10)	4,770,810
Balance at 1 July 2018	17,766,268
Options cancelled during the year (Exercisable at $0.10)	(3,578,108)
Options exercised during the year (Exercisable at $0.10)	(7,910,805)
Balance at 30 June 2019	6,277,355

Options on issue at 30 June 2019 are as follows:

Options on issue at 30 June 2017:

- Consultant options of 1,506,545: These options were granted prior to 30 June 2017 and the related share based payment expense was recorded in the year ended 30 June 2017. These options have a vesting condition that the share price of Bubs Australia Limited must be at least 12.5 cents before they are exercisable. There is no required service period for the consultant options. The options expire on 20 December 2019.

Options issued to the current CEO in FY18:

- 2,385,405: vest 3 months after issue and on the achievement of $30m in gross sales, or $2m in EBIT and expire on termination of employment; and
- 2,385,405: vest 3 months after issue and on the achievement of $50m in gross sales and $4m in EBIT and expire on termination of employment.

The options issued in FY18 expire on 19 January 2021.

RECOGNITION AND MEASUREMENT

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted over the period to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met but is not adjusted when market performance conditions are not met.

Expected volatility has been based on an evaluation of the historical volatility of the Group's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

KEY ESTIMATE AND JUDGEMENT

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

1.3

AUDITORS REMUNERATION

During the financial year the following fees were paid or payable for services provided by the auditor of the Group:

Audit services	2019 $	2018 $
Audit or review of the financial statements – Ernst & Young	434,436	200,994
Completion audit of Australia Deloraine Dairy Group at acquisition date	41,434	-
Non audit service		
Agreed upon procedures	-	-
	475,870	214,810

1.4

SUBSEQUENT EVENTS

On 29 August 2019, Bubs issued 2,974,272 fully ordinary paid shares to Chemist Warehouse Retail Group.

Other than the events stated above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected or could significantly affect the reported results from operations or financial position for the year then ended.

1.5

ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bubs Australia Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Bubs Australia 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 deconsolidated 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.

GOING CONCERN

The accounts have been prepared on the going concern basis. This assumes that the Group will be able to pay its debts as they fall due in the normal course of business.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

Other than the first time adoption of *AASB 15 Revenue from Contracts with Customer* and *AASB 9 Financial Instruments*, several other amendments and interpretations applied for the first time in the 2019 financial period, but do not have a material impact on the interim consolidated financial statements of the Group.

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

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 year ended 30 June 2019.

The Group's assessment of the impact of these new or amended Accounting Standards, most relevant to the Group, are set out below.

AASB 16: LEASES (APPLICABLE TO THE GROUP FOR THE YEAR BEGINNING 1 JULY 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in *AASB 117: Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 16 Leases in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 Leases allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group has not yet quantified the impact on its reported assets and liabilities on adoption of AASB 16 Leases. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

OTHER AMENDMENTS

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

AASB 2014-10 *Amendments to Australian Accounting Standards* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB 2018 -1 *Amendments to Australian Accounting Standards* – Annual Improvements 2015–2017 Cycle

AASB *Interpretation 23 Uncertainty over Income Tax Treatment* – The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes and does not apply to taxes or levies outside the scope of AASB 112 Income Taxes, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

DIRECTOR'S DECLARATION

IN THE OPINION OF THE DIRECTORS OF BUBS AUSTRALIA LIMITED (THE 'COMPANY'):

The consolidated financial statements and notes that are set out on pages 38 to 88 and the Remuneration report on pages 28 to 43 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

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

THE DIRECTORS HAVE BEEN GIVEN THE DECLARATIONS REQUIRED BY SECTION *295A THE CORPORATIONS ACT 2001* FROM THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019.

THE DIRECTORS DRAW ATTENTION TO NOTE A TO THE CONSOLIDATED FINANCIAL STATEMENTS, WHICH INCLUDES A STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 6th day of September 2019

DENNIS LIN

CHAIRMAN

OTHER INFORMATION

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1. SHAREHOLDING AS AT 28 AUGUST 2019

A| Distribution of shareholders

Range	Total holders	Units	% Units
1 - 1,000	4,457	2,935,875	0.58
1,001 - 5,000	8,130	22,801,388	4.47
5,001 - 10,000	3,395	27,071,142	5.31
10,001 - 100,000	4,282	125,073,184	24.54
100,001 Over	414	331,708,468	65.09
Rounding			0.01
Total	20,678	509,590,057	100

B| Unmarketable parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $1.2800 per unit	391	690	131,027

C| Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares: each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands

D| Top 20 shareholders – Ordinary Shares

Rank	Name	Units	% of Units
1.	C2 Capital Global Export-To-China Fund	76,288,510	14.97
2.	Carr Family Pty Limited <Carr Family A/C>	16,761,600	3.29
3.	Ms Catherine Jane Taylor	12,220,266	2.40
4.	Mr Rupert Robin Soar	12,220,265	2.40
5.	WF Investment Holdings Pty Ltd <WF Investment A/C>	11,789,440	2.31
6.	Citicorp Nominees Pty Limited	11,495,001	2.26
7.	J P Morgan Nominees Australia Pty Limited	10,836,423	2.13
8.	Dynamic Best Group Limited	10,769,230	2.11
9.	Infant Food Business Pty Limited <Infant Food Business A/C>	10,575,000	2.08
10.	Penelope Anne Gandar	9,600,335	1.88
11.	Johannes Theodorus Maria Gommans	9,600,335	1.88
12.	HSBC Custody Nominees (Australia) Limited	8,173,873	1.60
13.	CA Investment Corp Pty Ltd <GUO And Xu Family A/C>	5,050,000	0.99
14.	Stable Charter Limited	4,615,385	0.91
15.	A Z Global Corporation Pty Ltd	4,512,911	0.89
16.	RHB Securities Singapore PTE LTD <Clients A/C>	3,231,800	0.63
17.	Mr Hongtao Zhang	2,840,910	0.56
18.	BNP Paribas Noms Pty Ltd <DRP>	2,571,979	0.50
19.	National Nominees Limited	2,009,962	0.39
20.	BNP Pribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,898,022	0.37
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		227,061,247	44.56

2. CORPORATE DIRECTORY

A| The name of the Company Secretary is Jay Richard Stephenson

B| Principal registered office

2-4/6 Tilley Lane, Frenchs Forest, NSW, Australia, 2086

C| Registers of securities

Computer Investor Services Pty Ltd

D| Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all member exchanges of the Australian Securities Exchange Limited

E| Unquoted securities

Options over unissued shares
The Group has 5,039,658 options on issue.

ASX: BUB

Bubs Australia

INVESTOR RESOURCE CENTRE

www.investor.bubsaustralia.com