bubs®

READY TO REBUILD

FY21 Annual Report

Bubs Australia Limited and Controlled Entities

ACN 060 094 742

2021

TABLE OF **CONTENTS**

GENERAL **INFORMATION**

The financial statements cover Bubs Australia Limited for the year ended 30 June 2021. The financial statements are presented in Australian dollars, which is the Bubs Australia Limited functional and presentational currency.

Bubs Australia Limited registered office is:
23 Nina Link, Dandenong South
VIC 3175 Australia

Bubs Australia Limited principal place of business is:
2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

01

FY21 REVIEW

KEY **MILESTONE EVENTS**

COVID-19 PANDEMIC
IMPACT & RESPONSE
Protecting employees, prioritising liquidity and balance sheet. Managing supply chain and inventory in the channel in response to demand shocks.

ESTABLISHED
WHOLLY OWNED CHINA ENTITY
BUBS SHANGHAI COMPANY
Ability to directly manage sales relationships and in-market customers to optimise value chain and margin growth.

AUSSIE BUBS™ USA LAUNCH
FDA LABEL COMPLIANT
TODDLER FORMULA
First production shipped. Launching on Walmart.com and Amazon.com Sept 2021.

#1 ADULT GOAT DAIRY
CAPRILAC® BRAND RANKING
FOR TMALL GLOBAL 618[1]
Amongst all imported adult goat milk brands.

MORE THAN DOUBLED
DOMESTIC MARKET SHARE[2]
FASTEST GROWING INFANT
FORMULA MANUFACTURER[2]
Woolworths, Coles and Chemist Warehouse

50% GENDER EQUALITY[4]
BOARD REPRESENTATION
Supporting both Gender and Cultural diversity future needs across the business.

TOP 3 IMPORTED GOAT INFANT
FORMULA BRAND
IN CHINA 618
#3 on Alibaba Tmall Global[3]
and #2 brand on JD Global.[3]

LAUNCHED BUBS RANGE
IN REDMART SINGAPORE
Received Malaysia Parent's Choice Award for Bubs® Organic Formula

[1] Q4 FY21 official results in unit sales data CapriLac from Tmall Global
[2] IRI Scan Data, Dollars ($000's) Market Share Growth % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.
[3] Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global (TDI and Tmall Flagship Store) & JD Global (JDI) platform data.
[4] 50:50 Gender Equality reached with the appointment of Katrina Rathie on 21 July 2021.

FINANCIAL **HIGHLIGHTS**

FY21 results impacted by global pandemic with some **growth in core product and focus channels.**

$46.8m
Group Gross Revenue[1]

+26%
Goat Infant Formula China CBEC gross revenue[1] growth pcp.

+51.5%
Bubs Australia fastest growing Infant Formula manufacturer[2] in Woolworths, Coles and Chemist Warehouse.

+12%
Total gross revenue[1] exports growth pcp to China CBEC channel.

+57%
International gross revenue[1] growth ex-China pcp, (including ingredient sales).

+34%
2H FY21 Corporate Daigou gross revenue[1] growth on 1H FY21.

$27.9m
Robust balance sheet. Cash reserves as at 30 June 2021.

[1] 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.
[2] IRI Scan Data, Dollars ($000's) Growth 51.5% YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.

FROM **OUR CHAIR**

DENNIS LIN
Executive Chairman

Agility and resilience — the hallmark of our response.

"Our organisation's strength is now stronger than ever."

Dear Shareholders,

For the second consecutive year, the theme of disruption, reset and resilience is once again a key feature of my report for the Financial Year 2021. Over the past financial year Bubs has been focused on sustainable strategic responses to the disruption wrought by COVID-19 on our business, and that of our industry.

Following the initial pantry stocking that peaked in March 2020 and producing to that demand, we were confronted with significant and prolonged impacts of border closures and demand disruption from which the financial year commenced. This signalled a need to reconsider our channel strategy, in order to sustain demand growth that continues to exist in our key global markets. We knew the year ahead would be difficult.

Despite the challenging circumstances from which we commenced the year, our unique and resilient business model, along with our collaborative strategic partnerships, provided us with the agility to refine our supply chain, including rightsizing our milk pool to match demand and adopt new route to market strategies for China, whilst building our momentum internationally. Our vertically integrated business model provides us with unrivalled proprietary insight into the supply chain process. The lessons learned over the last year and knowing what products work in the 'new world' have placed the business in a position where we can become less reliant on physical international border traffic and more resilient to future expansion options across the new digital eco-system and global export markets. While the year's total Domestic and China sales are down compared to FY20, we have seen stabilisation over the last three quarters with growth in some key areas, since the initial demand shock impact and low point of the first quarter sharp decline in revenues, following the border closures and immediate contraction in the Daigou personal shopper business.

Pleasingly, during the year, Bubs representation expanded across the domestic grocery and pharmacy channels and we now have coverage on par with leading multinational Infant Formula brands. Bubs was the fastest growing infant formula manufacturer[2] in FY21 showing significant growth and increased share across Coles, Woolworths and Chemist Warehouse, despite an overall category decline.

At the same time, our China strategy has been reinvigorated to deliver significant advances throughout the year and we have been pleased to see the continued deepening of our productive relationship with channel partners such as Alibaba for the development, promotion, and distribution of our infant and adult dairy products.

Direct sales to China, while down on last year, showed quarter-on-quarter growth over the last three quarters, partially offsetting the domestic contraction in Daigou sales. Within our China channel, the Cross-Border e-Commerce (CBEC) Channel gross revenue[1] increased by 12 percent.

With the rapid trend towards China channel merging across omni-channel and digitalisation, we took the strategic decision to establish our own operating subsidiary in Shanghai to manage all China trade with our e-commerce partners. This provides us with operational oversight to drive growth across the reimagined Daigou 2.0 omnichannel sales model and growing our Online-to-Offline (O2O) sales via Mother & Baby and community stores.

Daigou 2.0 has effectively merged with the cross-border e-commerce channel (CBEC) and is no longer considered a 'grey channel'. Its legitimacy has been established via participation in the Chinese government tax system. Daigou 2.0 has now been reinvented as a digital social selling channel, including live streaming e-commerce with delivery ex-Australia or via cross-border warehouses in China.

Despite the continued disruption and challenges we have faced, we continue to sustain investment in marketing resources for the future to build "new user", customer acquisition and brand equity in our key markets, particularly China, redirecting and up-weighting our marketing effort to accelerate the growth of our Cross-Border e-Commerce business in China.
Our strategy of regional diversification in FY21, whilst disrupted by the setbacks of the difficult Covid conditions, has yielded solid results with a 57% increase in gross revenue (including ingredient sales) to other geographies beyond China. Over this year, we have continued to nurture our partnerships across South East Asia, covering Mother and Baby retail chains and e-Commerce platforms.

Last year we flagged North America as our next target and the lessons learned in responding to the pandemic sharpened our focus on the most appropriate market entry strategy. The creation of our USA entity, Aussie Bubs Inc, and the successful development, production and importation of two new toddler formula products aligned to FDA label compliance, was another hallmark achievement of this financial year. Our inaugural USA launch is on track for September 2021, with Aussie Bubs™ set to launch on Walmart.com and Amazon.com. That we can consider these diverse options to grow internationally is based on our agility, scale and established supply chain security. Our approach will be disciplined choosing new markets that have the highest potential to leverage our unique advantage as a premium dairy nutrition specialist and Australian leader in goat dairy production.

With our unique supply chain and focus on products developed to sustain competitive advantage, we are well positioned re-establish growth momentum in FY22. Our organisation strength is now stronger than ever, with the deepening of our bench strength. The May 2021 appointment of Fabrizio Jorge as Chief Operating Officer to drive Bubs global growth market diversification strategy and Katrina Rathie, a global brand trademark and consumer law specialist as Non-Executive Director, have provided us with strong foundations to support our global growth ambitions. Importantly, these appointments have also resulted in approximately 50:50 gender and cultural diversity across our Board and Executive Leadership team.

Fabrizio brings more than 24 years of experience in the global dairy industry including nutritional and speciality milk powders forged with Fonterra and Nestlé covering Australia, Asia, Oceania and Africa. Appointed in July 2021, Katrina is an internationally recognised leading Intellectual Property and consumer brands lawyer, for the main part as an equity partner in King Wood Mallesons for 27 years. Her skills will be invaluable as we enter the next phase of our brand driven global development.

Meanwhile, our COVID-19 mitigation continues to keep the Bubs Family safe and ensures continuity of production as an essential service to meet changing demand patterns during this challenging period. FY21 has been a particularly difficult year as the pandemic and other macro factors challenged our resolve and business model. At the same time, it provided us with visibility that our brands do resonate with consumers in key markets around the world, and that our business model is one of strength that can stand the test of these catastrophic events.

As we put a disappointing year behind us, our deliberate strategic responses to the impact and reset of the past financial year have placed us in a position of resilience from which we can rebuild. As we enter this next phase of our development, I am grateful for Kristy Carr's leadership particularly during these last 12 months, and I looking forward to working with her, our Leadership Team and Board of Directors and continuing to support our long-term vision of becoming a major global dairy-based business focused on infant and family nutrition.

[1] 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.
[2] IRI Scan Data, Dollars ($000's) Growth YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/202.

FROM **OUR CEO**

Reset strategy built on strong foundations

Dear Shareholders,

Throughout the year our Bubs Family and strategic partners have risen to the challenge of the prolonged impact of the pandemic. I have been incredibly proud of their agility and resilience, as we continue to reset our business in response to the COVID-19 induced changes in the macro environment.

The continuing impact of the ongoing border closures, from the onset of the pandemic up to this point, remains the single most adverse disruption on the business and our FY21 performance. With the lack of tourists and international students, the domestic Daigou channel trade was the most significantly impacted. We saw a sharp decline in conventional Daigou channel contribution to domestic sales and ongoing disruption to outbound supply chain logistics with increased international freight costs.

Considering that conventional domestic Daigou sales had made up a significant proportion of the Australian infant formula category sales, it is unsurprising that our gross revenues[1] were adversely impacted leading to a FY21 decrease of 24 percent year-on-year to $46.8 million.

The impact of this sudden disruption to demand signaled the need for the conventional Daigou channel route, previously dominated by inbound visitors and pack & send parcels, to rapidly digitise their social commerce platforms. Anticipating this need to pivot and adapt to a new business model, we have executed a deliberate strategy and worked in collaboration with our strategic channel partners to reset both our supply chain and China channel strategies. We now see the emergence of the Corporate Daigou channel reinvention, with omni-channel sales offering centralised fulfilment from Australia and via shipment to bonded warehouses in China, providing us with more transparency and bringing us closer to our end consumers.

> "We are pleased to see the resulting positive outcome of these reset efforts, with momentum and resilience demonstrated in our second half."

We are pleased to see the resulting positive outcome of these reset efforts, with momentum and resilience demonstrated in our second half. We have experienced half-on-half group gross revenue[1] growth of 10 percent and fourth quarter results being just 4 percent below pcp as a result of increased domestic penetration and channel shifts in our China and International trade. In collaboration with our strategic channel partners, we saw Corporate Daigou gross revenue[1] increase 34 percent in the second half of FY21 compared to the first half, which was up 17 percent on the same period last year (2H FY20). Our Cross-Border e-Commerce business also demonstrated solid growth, increasing 12 percent year-on-year with Bubs® Goat Infant Formula up 26 percent.

KRISTY CARR
Chief Executive Officer

We focused on ensuring the fundamentals of our business and our ability to rebuild would be protected. With this in mind, we took the decision to resist pressures to push stock into our sales channels, and instead sold excess bulk powder at a loss in order to prioritise cashflow. These proactive steps have allowed us to maintain a healthier inventory position which was more closely aligned to demand as we move into FY22.

This period of stabilised demand has come after what was a challenging first quarter, with the knock-on effects of the late FY20 sudden surge in demand caused by pantry stocking. The subsequent demand shock following on from the border closures and loss of the Daigou personal shopper trade was the key contributor to the excess inventory position.

Since then, we are encouraged to see Domestic retail sales stabilise and increasing sales of cross-border e-Commerce into China, offsetting some of the loss of Daigou traffic, and the rebuilding of the Daigou omni-channel sales model reactivated.

We see this as a very encouraging trend, aligning with the work we have done to 1) prioritise cash conversion, albeit at a loss, from bulk powder excess inventory, and 2) overhaul and right-size our supply chain to ensure a more balanced supply and demand profile.

Having managed through this volatile period, we are confident that our supply chain is fit for purpose in the post-COVID paradigm – with a much clearer view of what is in the inventory pipeline, particularly with our new corporate structure in China.

The company is now well placed to go forward and we expect to see growth momentum across all channels in FY22.

[1] 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.

CEO **YEAR IN REVIEW**

Consolidated domestic position: growing volume and share outperforming the category.

During the year we added over 1300 distribution points for Bubs® products: Woolworths continued to carry our entire range of eight infant formula products across a targeted selection of its 700 stores; Bubs Organic® Grass-fed Formula is now ranged in 720 Coles stores while Bubs® Goat Formula increased to cover 760 stores. This strong grocery footprint is complemented by national ranging of all 40 Bubs products in Chemist Warehouse, our second largest shareholder and strategic retail partner. In addition, our brand distribution is supported by our national ranging in Good Price Pharmacies, Baby Bunting and Big W.

Bubs Australia is now the fastest growing Infant Formula manufacturer, more than doubling market share, with scan sales increasing 51.5 percent year-on-year[1], at a time when the Total Category is in sharp decline, down 46 percent on prior year[1].

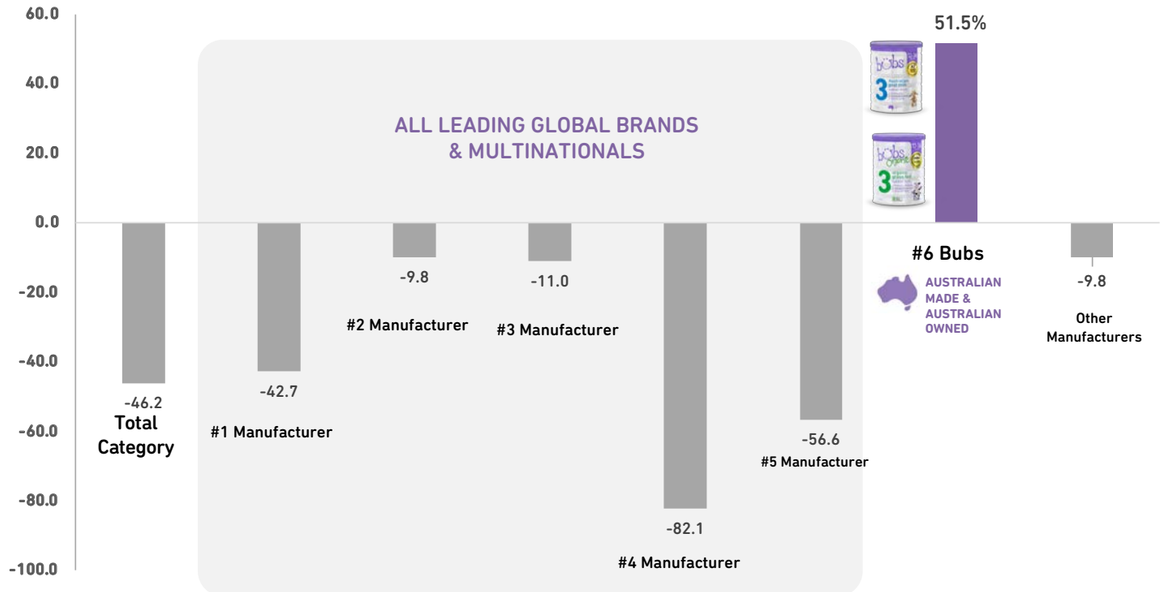
Notwithstanding the strength of our Australian retail sales, following the retraction of the Daigou trade, year-on-year domestic gross revenues[2] were down 38 percent. Overall, Domestic gross revenues[2] represented 57 percent of our business.

China Cross-Border e-Commerce momentum continued

throughout the year resulting in a 26 percent increase in Bubs® Goat Infant Formula gross revenue[2] over last year. Bubs® Goat Infant Formula ranked #6 in Tmall Global & JD Global combined, across all Chinese and Imported Goat Formula brands[3] . On a year-on-year basis, gross revenue[2] direct to China was down 11 percent and represented 25 percent of group gross revenue[2] for the year. Meanwhile, we continue to work closely in partnership with Alibaba to maximise the China eCommerce opportunity.

As recently announced, the Company established a wholly owned subsidiary in China, Bubs (Shanghai) Trading Co. Ltd., providing improved control of margins and market focus. Our go-forward operation model for China will continue to focus on integrated e-Commerce channels with fulfilment delivery ex-Australia or via bonded warehouses within China, including Online-to-Offline (O2O) covering General Trade and Mother & Baby stores, livestreaming e-Commerce and social selling channels.

FY21 INFANT FORMULA CATEGORY RETAIL SCAN DOLLAR SALES (%) GROWTH[1] BY MANUFACTURER (MAT)
COLES, WOOLWORTHS & CHEMIST WAREHOUSE COMBINED



+26% pcp

Solid growth +26% pcp FY21 increase in infant formula CBEC channel gross revenue[1].

" Bubs Australia is now the fastest growing Infant Formula manufacturer, more than doubling market share, with scan sales increasing 51.5 percent year-on-year[1]. "

TOTAL INTERNATIONAL
EX-CHINA GROSS REVENUE

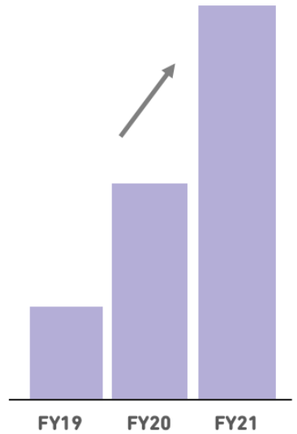
+57% FY21

gross revenue[2] growth International markets (including ingredient sales)

Momentum building in International markets for Bubs portfolio

Following expansion beyond Vietnam into Malaysia and Singapore, total International gross revenue[2] (including ingredient sales) experienced significant revenue growth of 57%, accounting for 18% of Group gross revenue[2].

Post balance date, the Company announced plans to enter North America with confirmed distribution on Walmart.com and Amazon.com from September 2021. This is an important milestone in the company's continued implementation of its market diversification strategy to expand Bubs award-winning Clean Label formulations across global markets.



[1] IRI Scan Data, Dollars ($000's) Growth YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/202.
[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] Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global & JD Global platform data.

Financial Overview:

COVID-19 impacted gross margin

In line with previous reporting, the global pandemic and subsequent adverse channel mix impacted gross margins and our gross revenue[1] to revenue ratio resulting in our group gross margin[2] for branded products falling to 21 percent from 24 percent in FY20. Bubs® Infant Formula sales continued to be the most profitable element of the business and we were able to maintain premium pricing on Bubs® Goat Infant Formula, resulting in gross margin[2] of 34 percent, approximately the same as FY20.

Increased trade co-op investment increased the difference between gross revenue[1] and revenue. This was partially offset by the corresponding reduction in above the line brand marketing expense.

Taking into account COVID-19 driven inventory adjustments, penalties for shortfalls in reserved manufacturing capacity, and the decision to sell excess bulk powder at a loss to preserve cash conversion, group gross margin entered negative territory with a $7.3 million loss. This led to an underlying EBITDA loss for the Group of $28.5 million.

Disciplined OPEX management

Over the year, notwithstanding significant increase in international freight costs, our distribution cost / gross revenue ratio stood at 4 percent, versus 3 percent in FY20.

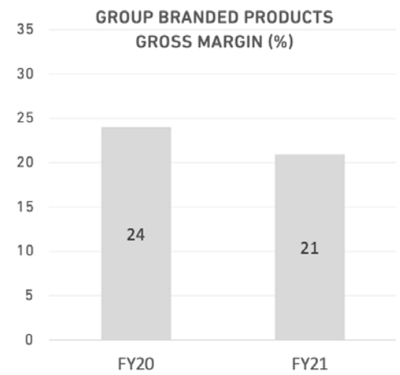
Marketing costs decreased 28 percent as we redirected our investment to in-channel trade promotion and in-store activation. As we built our team in Australia and China to support the future needs of the business, our employee cost[3] increased by 8 percent, while administration costs[4] increased by $2.7 million to cover bad debt provisions, increased costs for NPD, IP protection in new International markets and donations.

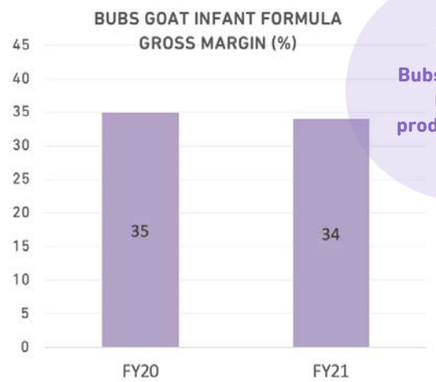
Impairment

Combined with short term sharp demand contraction in Daigou channel, a conservative growth rate adopted in the sales forecast due to prolonged uncertainties caused by ongoing pandemic and the longer than expected SAMR approval time frame, this has reduced the valuation of CGUs. As a result, a non-cash impairment of $44.6m relating to Nulac Foods CGU and Deloraine Dairy CGU was recognised.

Strong Balance Sheet

Group liquidity remains strong with $27.9 million in cash reserves as at 30 June 2021. In addition, we are in the process of renewing our $10 million working capacity facility with the maturity date in September 2022 and are confident that the facility will be renewed.





34%
Bubs Goat Infant Formula product margin[1].

"Bubs is well placed with strong foundations, brand share growth, and a robust balance sheet to go forward with a sustainable growth strategy as the Australian lead challenger brand in infant nutrition."

Outlook

Bubs is well placed with strong foundations, brand share growth, and a robust balance sheet to go forward with a sustainable growth strategy as the Australian lead challenger brand in infant nutrition.

Continued focus on our core business and competencies, coupled with the operational changes we have executed in response to the pandemic, mean Bubs is well positioned to rebuild from a strong foundational base with a rebalanced inventory position to meet stabilised demand.

We remain confident in the unique strengths of Bubs business model and our organisational agility will enable us to navigate the ongoing macro challenges posed by COVID-19, and we anticipate rebuilding towards a sustained growth trajectory in FY22.

Since the initial COVID-led channel disruption impact occurred most heavily in the first quarter, our China strategy has been re-engineered in collaboration with our strategic partners to deliver significant advances throughout the year. We remain committed to continuing to build the Bubs® brand in China, and expect sales momentum to continue across all Channels.

In addition to building our hero product lines in our established channels, we plan to stretch Bubs® brand awareness to support new categories in line with our position as a specialist producer of dairy based nutritional products. We will also pursue our global expansion strategy to consolidate our regional market penetration, and launch into North America.

The Company remains confident that the Bubs® brand and business model, along with adapted route-to-market strategies and sufficient cash reserves, will deliver sustained growth in FY22 and beyond.

Our ability to survive the worst of the pandemic was helped greatly by the support of our major shareholders, strategic partners, suppliers and the extended Bubs Family whose ongoing commitment in Bubs journey to becoming a global dairy company and category leader in infant nutrition is sincerely appreciated.

I look forward to the business returning to growth, as we continue to expand our global reach.

KRISTY CARR
Chief Executive Officer

[1] 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.
[2] Gross margin is calculated as (revenue – production costs) / revenue.
[3] Employee costs exclude share based payments.
[4] Administrative and other costs do not include depreciation and amortisation.

COVID-19 **DISRUPTIONS**

Global macro forces impacting sales channels created a significant demand and supply shock.
FY21 focused on the immediate need to mitigate impact from excess inventory in channel.

IMMEDIATE IMPACT

Urgent action was required to actively manage supply and excess inventory due to unforeseen demand disruption.

Australian Border Closures

Infant Formula Total Category decline in Australian Grocery and Pharmacy **-46%**[1]

Traditional Daigou shopping significantly declined in domestic retail channel, and gift stores.

China Channel Disruption

Channel shifting moved consumers online. High cost of airfreight had immediate impact.

Omni-channel sales approach emerged, with O2O and social commerce becoming more significant.

Export to SE Asia Disrupted

Prolonged lockdowns delayed ranging reviews, limited retailer distribution, and caused regulatory delays.

Significant impact due to retail shutdown and economic stress.

COVID-19 **RESPONSE**

Our response throughout FY21 focused on four pandemic phases to protect our base for rebuild.
Strengthening our foundations to mitigate future demand shocks.

#1 Impact — **#2** Reset — **#3** Resilience — **#4** Rebuild

FY22

CHANNEL & PRODUCT REINVIGORATION

- Protect our core product base, key channels and strategic partnerships.
- Identify growth opportunities within each of our sales channels for new products and new markets.
- Improve capacity utilisation in Deloraine facility.

FY21

STOCK MANAGEMENT

- Redirected stock to China offshore warehouse in response to border closures.
- Ensured excess inventory was largely retained in Bubs warehouse. Despite significant demand disruption, resisted pressure to increase stock in the channel.

CHANNEL & SUPPLY RESET

- Supporting greater resilience. Resized the milk pool to reflect volatility in demand forecasts.
- Redirected marketing investment to support domestic trade and China inbound omni-channel marketing via social commerce.
- Made difficult decision to sell excess bulk powder at a loss in order to prioritise cash flow and took proactive steps to provide for stock in order to maintain a healthier inventory position in FY22.
- Restabilised price architecture in China market.
- Rapid growth in Domestic consumer demand providing strong home base.

[1] IRI Scan Data Dollars ($000's) Growth YA, Coles, Woolworths and AU My Chemist Group combined at MAT 04/07/2021.

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 2021 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

Executive Chairman

GradDipAppFin, CA, Solicitor of the Supreme Court of Queensland – Executive Chairman (appointed 22 October 2019), Chairman and Non–Executive Director (resigned 21 October, 2019)

Mr Lin focuses on high growth branded businesses that are looking to expand globally, and has been part of Bubs Australia board since its listing. He works closely with the team in creating, setting and executing strategic priorities for the business, especially in relation to international markets and vertical integration. He speaks fluent Chinese Mandarin and Japanese. In addition, Mr Lin is co-founder and chairman of Cortina Capital, an independent private equity fund that focuses on investing in health and wellness brands.

Mr Lin was appointed as a Non-Executive Director of Buderim Group Limited on 3 November 2017 Executive Director from 1July 2020 and a non-executive director of Synertec Corporation Limited on 20 August 2019. Mr Lin was appointed as a Non-Executive Director of Ecargo Holdings Limited on 9 April 2019 and resigned on 30 October 2019. Mr Lin completed his contract with BDO on 30 June 2020.

KRISTY CARR

Managing Director

BBus (Bachelor Degree of Business) – Managing Director (appointed 22 December 2016)

Mrs Carr is the Chief Executive Officer of Bubs Australia Limited and holds a Bachelor of Business Degree (Queensland University of Technology). She has a proven track record of leading and building successful brands and businesses spanning Australia and Asia Pacific over the past 25 years. Kristy's passion is in creating and developing new business opportunities that not only make a difference in the world we live in today, but also closely identify with emerging global consumer trends. Kristy has lived and worked in Hong Kong for over a decade and travelled extensively throughout Asia for both business and leisure. It is with this experience that she founded Bubs when on maternity leave with her first of three daughters in 2006.

Mrs Carr has not held any other Directorships in publicly listed companies in the past three years.

MS KATRINA RATHIE

Non-Executive Director

B Com (Accounting & Financial Management)/LLB UNSW Sydney, FAICD (appointed 21 July 2021)

Ms Rathie is an experienced Non-Executive Director and lawyer. She has strong business leadership skills and was formerly Partner in Charge, Sydney of King & Wood Mallesons, a top tier global elite law firm where she led the Sydney office. With over 35 years working as a trusted advisor to ASX and Fortune 500 companies particularly in the FMCG, brands, consumer and retail sectors, Ms Rathie brings deep sectorial, governance, regulatory and international experience to the Bubs board which she joined in July 2021.

Ms Rathie was named overall winner of the Board & Management category in the AFR 100 Women of Influence Awards 2019. She is a member of Chief Executive Women and a Fellow of the Australian Institute of Company Directors.

Ms Rathie has not held any other Directorships in publicly listed companies in the past three years.

MATTHEW REYNOLDS

Non-Executive Director

B.Sc (Hons), LLB (Hons), MQLS - Non-Executive Director (appointed 22 December 2016). (retired 21 July, 2021)

Mr Reynolds is a Partner at Thomson Geer Lawyers who specialises in capital markets (retail and wholesale), debt capital markets (wholesale) and mergers and acquisitions (public and private) including private equity. He holds a Bachelor of Political Science & Economics (Hons) and a Bachelor of Laws (Hons) and is a member of the Queensland Law Society.

Mr Reynolds was a director in publicly listed G8 Education Limited (ASX: GEM) retiring from the board on the 31st of August 2017.

STEVE LIN

Non-Executive Director

M.B.A. in Economics from Harvard College (appointed 18 April 2019)

Mr Lin has over 25 years of investment, operations and management experience in Asia across Morgan Stanley in New York and later in Goldman Sachs' Merchant Banking Division in Hong Kong and Tokyo. As President and CEO – Asia of GMAC Commercial Holding Corp., Mr Lin managed a multi-billion dollar portfolio of real estate investments. A co-founder of non-profit company, Hands On Tokyo, and board member of two universities in China, with a M.B.A. in Economics from Harvard College. Mr Lin has not held any other Directorships in publicly listed companies in Australia in the past three years.

MR JAY STEPHENSON

Company Secretary

MBA, FCPA, FGIA, MAICD, CPA (Canada), CMA (Canada) – Company Secretary (appointed 1 September 2015)

Mr Stephenson has been involved in business development for over 30 years including approximately 26 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.

All 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 (Executive Chairman)	14	14
K Newland Carr (Executive Director)	14	14
M Reynolds (Non-executive Director)	14	14
S Lin (Non-executive Director)	14	14

KEY MANAGEMENT **PERSONNEL**

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 2018.

FABRIZIO JORGE

Chief Operating Officer

Born in Brazil, Fabrizio Jorge brings 24 years of experience in the global consumer goods and dairy industry, including nutritional and specialty milk powders. Fabrizio was the General Manager for Fonterra Brands for Thailand, Laos and Myanmar and held full P&L responsibility for Fonterra Australia's Ingredients business with sales to over 50 export markets. Fabrizio's extensive experience with Fonterra included responsibility for South East Asia sales, South America Ingredients operations, and Product General Manager for nutrtional and specialty formulated milk powders Fabrizio joined Bubs Australia in May 2021.

EXECUTIVE **LEADERSHIP**

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 joined Bubs Australia in March 2017.

VIVIAN ZURLO

Chief Marketing & Innovation Officer

Vivian has over 20 years' marketing and 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

Chief Manufacturing Officer

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

02

OUR **BUSINESS**

Our Core Strategic Priorities

Our Unique Value Proposition

FY22 Strategic Focus On 4 Sales Channels

Building On Solid Foundations

Bubs Dairy Nutritionals Production Facility

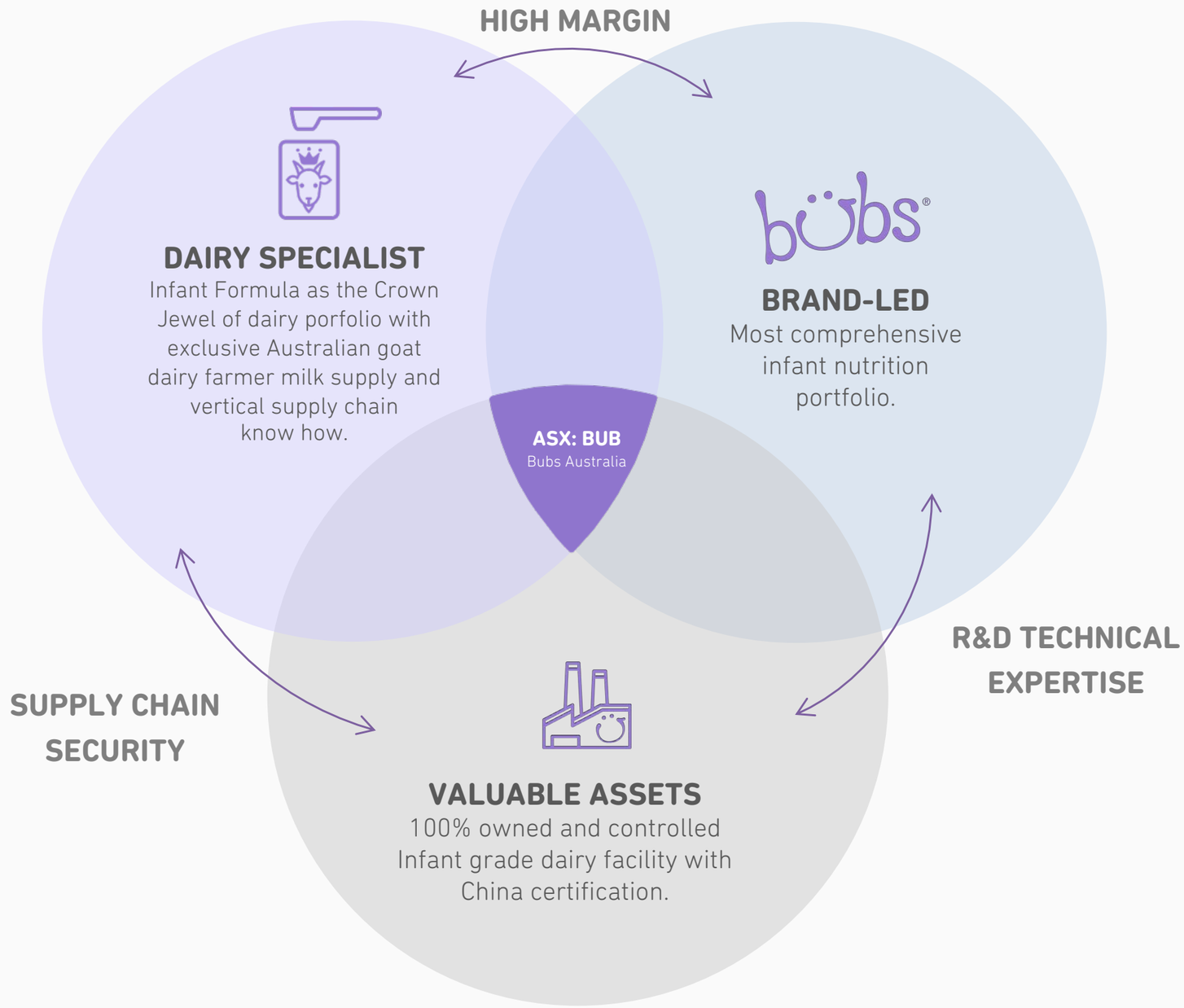
OUR CORE **STRATEGIC PRIORITIES**

Since listing, our core strategic focus remains unwavering and has been successfully strengthened in both our core business as well as via extensions into new markets and category growth opportunities.

	MAXIMISE BRAND EQUITY GROWTH	OPTIMISE GOAT DAIRY LEADERSHIP	DRIVE INNOVATION	LEVERAGE STRATEGIC PARTNERSHIPS	ACCELERATING GLOBAL REACH
FUTURE STRATEGIC FOCUS	Building brand equity and awareness to increase market share in all key markets.	Optimise supply chain integration and capability to drive efficiencies and improve margins.	Drive consumer led innovation in emerging and adjacent categories.	Accelerate market coverage and growth via distribution, marketing and production partners.	Rapid growth of global expansion driving brand equity across all key markets.
FOUNDATIONAL BUILDING BLOCKS	Bubs is an authentic trusted brand with unique proposition operating in an attractive high growth market.	Clear market leader in goat dairy production with supply chain security and scalability.	Ownership of registered manufacturing facility with impeccable R&D, QA and manufacturing capabilities.	Strategic collaborative partners in key markets.	Domestic retail distribution strength across all major retailers.

OUR UNIQUE **VALUE PROPOSITION**

360° integrated business model, combining the best of an ingredient and manufacturing business, together with a brand-led and consumer focused portfolio driven business.



FY22 STRATEGIC FOCUS ON
4 SALES CHANNELS

We have identified 4 strategic sales channels that are complementary to unlock value.
Each business unit has distinctive features and different opportunities for sustained profitable growth.

1. Australia & New Zealand

2. China

3. Other International

4. B2B Dairy Solutions

FOCUS:

Customer & Consumer Centric – Excellence in Quality

KEY CHARACTERISTICS:

- Opportunity for a significant local challenger brand with strong home market engagement with domestic consumers.

- China routes to market now omni-channel with CBEC, Daigou, O2O and General Trade merging into one via online sales, live-streaming and social selling.

- Consolidate growth in existing SEA penetration with opportunity to enter new markets: USA and South Korea.

- Grow specialist dairy solution co-manufacture and end-to-end new product development for global customers.

BUBS COMPETENCIES:

BUBS EXPERTISE

INGREDIENT & VERTICAL SUPPLY CHAIN EXPERTS	CUSTOMER & CONSUMER INSIGHT FOCUS	R&D FUNCTIONAL WELLNESS EXPERTISE	SPECIALIST DAIRY MANUFACTURING
✓	✓	✓	✓

BUILDING ON SOLID FOUNDATIONS TO **ACCELERATE GLOBAL GROWTH**

Our strong brand portfolio is spearheaded by Bubs®, our hero brand driving value creation across the business and into new markets.

Our goat dairy specialist brand CapriLac® supports optimisation of brand equity value conversion from our milk pool.

BUBS DAIRY NUTRITIONALS **PRODUCTION FACILITY**

100% ownership of Australia Deloraine Dairy, based in Dandenong South and purpose built with advanced infrastructure and capacity to process up to 10 million tins per annum.

Australia's leading

goat dairy producer

UNIQUE SUPPLY CHAIN MODEL

Our secure supply chain integrating farm to production, provides traceability, scalability and flexibility.

SCALABLE MANUFACTURING

Flexible manufacturing capability across multiple packaging formats with potential for expansion.

UNDERPINNED BY GOAT DAIRY DOMINANCE

Bubs is the market leader in goat dairy products across Australia and owns exclusive access to its goat milk pool.

03

DIRECTORS **REPORT**

DIRECTOR'S **REPORT**

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the financial year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Group achieved gross revenue[1] of $46.8 million (24% down on FY20) and revenue $39.3 million (28% down on FY20). The decrease in gross revenue is mainly due to the sharp decline in demand the Group has experienced in the Corporate Daigou channel under the challenging COVID environment. The shortfall in the Corporate Daigou channel was partially offset by the strong performance in domestic retail sales and cross border e-commerce distribution channel. Bubs Infant Formula is the fastest infant manufacturer across Woolworths, Coles and Chemist Warehouse with combined retail scan sales growth of 51.5%[2].

Due to the impact from COVID, the Group redirected short term domestic brand marketing investments towards greater emphasis on domestic in store trade spend investments. These investments focused on in store activation to support the new product range Vita Bubs and national ranging of Bubs Organic Grass Fed Formula. This had an adverse impact on Group's revenue, as a result the costs are recognised as a deduction of gross revenue.

Despite the contraction of the Corporate Daigou channel, we have seen continuing strong Chinese consumer demand for Bubs Goat Infant Formula. Bubs Goat Infant Formula revenue in cross border e-commerce distribution channel increased 26% compared to FY20.

Group gross margin decreased to $7.3 million loss. This was primarily driven by industrial bulk powder sales at a loss and $12.6 million in inventory written down/ write off. Other factors contributing to the decreased gross margin includes the redirection of domestic marketing investment in the short term towards trade spend, as well as the adverse change in channel mix due to the contraction of the more profitable Corporate Daigou channel. Bubs Goat Infant Formula product margin was 34%[3] in FY21 which is consistent with FY20. The Group's gross margin excluding inventory provision was 14%[3] compared to 22% in FY20. The Group's gross margin for branded products (excluding bulk powder and raw material sales) was 21%[5] in FY21.

[1] 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.
[2] IRI Scan value scan sales data, Coles, Woolworths and Chemist Warehouse combined MAT to 4.07.2021.
[3] Gross margin is calculated as (revenue – production costs) / revenue.

Distribution costs to gross revenue ratio increased from 3% to 4%. Employee costs[4] increased 8% due to the new resources to support the ability of our organisational capability to sustain the long term growth. We now have Fabrizio Jorge as Chief Operating Officer to spearhead global expansion and our on the ground China team executing the Group's new China Strategy. Increased administrative and other costs[1] is mainly due to bad debts provision and increased costs for NPD and IP protection in international markets and donations.

The brand marketing investment decreased 28% compared to FY20. This is mainly due to the short term domestic brand marketing investment redirecting to in-store trade spend investment. We continued to make significant and essential investment in brand marketing with a focus on building brand awareness, new customer acquisition and channel capacity in China and other international markets.

It is important to note that the overall statutory net loss of $74.7 million for FY21 includes a total $44.6 million (FY20: Nil) non-cash impairment relating to the Nulac Foods cash generating unit and Deloraine Dairy cash generating unit driven by the conservative outlook the Group has adopted over next 5 years due to the prolonged uncertainties. This does not detract from the strategic value of the Nulac Foods and Deloraine Dairy acquisition which delivered a provenance market advantage and vertical integrated supply chain security to the Group, essential to a sustainable future.

On a statutory basis, loss after tax was $74.7 million (FY20: $7.8 million). EBITDA loss was $73.1 million (FY20: $11.3 million) and underlying EBITDA loss was $28.5 million (FY20: $11.3 million). EBITDA Loss and underlying EBITDA loss for FY21 compared to FY20 is set out in the table below.

	FY21	FY20
Loss before tax	(77,878,500)	(16,100,700)
Interest income	144,774	317,504
Finance cost	(1,507,582)	(1,380,255)
EBIT Loss	(76,515,692)	(15,037,949)
Depreciation and amortisation	(3,405,018)	(3,730,852)
EBITDA Loss	(73,110,674)	(11,307,097)
Impairment	(44,640,260)	-
Underlying EBITDA Loss	(28,470,414)	(11,307,097)

The Group continues to maintain a strong balance sheet position with $27.9 million cash and cash equivalents at 30 June 2021 (30 June 2020: $26.0 million) and minimal external debt at balance date. Inventory has returned to a healthier position of $20.5 million as at 30 June 2021. In FY20, the Group made a conscious decision to carry a higher level of inventory to protect potential supply chain disruption in the challenging conditions under COVID. Subsequently, the Group experienced the sharp disruption to the Corporate Daigou channel as well as fluctuations in demand caused by pantry stocking in multiple markets. Given the Group has taken on the position not to over stock the distribution channels, this has resulted in a $12.6 million in inventory write down/ write off against the finished goods on hand and raw materials (including bulk powder). The inventory write off expense also includes $850,000 take or pay penalty payments to the third-party manufacturers due to the shortfall of the annual commitment volume as a result of COVID. While the Group's finished goods position has improved since 30 June 2020, the raw materials position is expected to further improve in FY22. 31% of inventory is in finished goods as at 30 June 2021 (30 June 2020: 53%).

[4] Employee costs exclude share based payments.
[5] Administrative and other costs do not include depreciation and amortisation

GOING CONCERN

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been reviewed. Management have sensitised the revenue, operating costs and cashflow impacts to take consideration of potential reduced trading activities caused by challenging macro dynamics. Under each scenario, mitigating actions are all within management control and can be initiated as they relate to discretionary spend, and do not impact the ability to meet demand. These actions include reduced administration and marketing costs and ceasing all non-essential and non-committed capex in the next 12 months. As at 30 June 2021, the Group balance sheet reflects a net current asset position of $41 million and net asset position of $87 million. The liquidity of the Group remains strong. In addition, we are in the process of renewing the NAB working capital facility of $10 million with the maturity date in September 2022 and are confident that the facility will be renewed. As at 30 June 2021, the undrawn balance remains at $8 million which is consistent with prior periods. In all scenarios modelled, our liquidity requirements are within the $10 million working capital facility and we will be able to repay the drawdown balance in full before the expiry date. On the basis of these reviews, the directors consider it is appropriate for the going concern basis to be adopted in preparing the financial statements.

PRINCIPAL ACTIVITIES

The Group offers high quality range of organic baby food, goat milk and organic cow's milk infant formula products, adult goat milk powder products and fresh dairy products. The Group also provides canning services of nutritional dairy products.

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

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 (2020: Nil).

INDEMNIFICATION AND INSURANCE OF DIRECTORS & 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 Officers 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, Deloitte, 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.

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 2021				As at 30 June 2020			
	Male	Percentage Male (%)	Female	Percentage Female (%)	Male	Percentage Male (%)	Female	Percentage Female (%)
Board	3	75%	1	25%	3	75%	1	25%
Senior management	1	50%	1	50%	2	50%	2	50%
Employees	21	60%	14	40%	20	61%	13	39%
Total	25	61%	16	39%	25	61%	16	39%

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
19 January 2021	0.10	4,770,810
29 November 2022	0.10	4,770,810
10 June 2024	0.65	2,000,000

All unissued shares are ordinary shares of the Group.

NON-AUDIT SERVICES

No non-audit services were provided by Deloitte during the year ended 30 June 2021.

Details of amounts paid or payable to the auditor during the year are outlined in Note G3 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 2021 were:

- Dennis Lin (Executive Chairman)
- Matthew Reynolds (Non-executive Director)
- Steve Lin (Non-executive Director)
- Kristy-Lee Newland Carr (Chief Executive Officer and Managing Director)
- Iris Ren (Chief Financial Officer)
- Fabrizio Jorge[1] (Chief Operating Officer)
- David Orton[1] (General Manager Commercial)
- Richard Paine[1] (Chief Manufacturing Officer)
- Vivian Zurlo[1] (Chief Marketing and Inventory Officer)

REMUNERATION STRUCTURE

In consultation with external remuneration consultants, 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.

1 Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

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 focuses 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 2021, participants may achieve a maximum STI of between 6% and 33% 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 KMPs 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.

TOTAL FIXED REMUNERATION (TFR)

KMP EXECUTIVES

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

Title	Name	Annual Base Salary	Allowance
Executive Chairman	Dennis Lin	$250,000	Nil
Chief Executive Officer and Managing Director	Kristy Carr	$450,000	$6,000
Chief Financial Officer	Iris Ren	$250,000	Nil
Chief Operating Officer[2]	Fabrizio Jorge	$400,000	Nil
General Manager Commercial[2]	David Orton	$240,000	Nil
Chief Manufacturing Officer[2]	Richard Paine	$250,000	Nil
Chief Marketing & Innovation Officer[2]	Vivian Zurlo	$235,000	Nil

GROUP'S FINANCIAL PERFORMANCE

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

	2021	2020	2019	2018	2017
Revenue	39,312,738	54,644,952	43,914,853	16,906,256	3,932,298
EBIT Loss	(76,515,692)	(15,037,949)	(35,144,011)	(66,025,718)	(5,078,230)
Share price at year end	0.435	0.925	1.13	0.78	0.25
Basic loss per share	0.12	0.01	0.08	0.20	0.02
Total dividend (cents per share)	-	-	-	-	-

2 Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

SHORT-TERM INCENTIVE PLANS

The FY21 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 revenue, 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
Dennis Lin	-	-	-
Kristy Carr	$150,000	33%	100% is measured against delivery of Business Strategy
Iris Ren	$15,000	6%	50% is measured against Business Management and 50% is measured against Financial
Fabrizio Jorge[3]	-	-	-
David Orton[3]	$60,000	25%	100% is measured against Financial
Richard Paine[3]	$15,000	6%	100% is measured against Business measurement
Vivian Zurlo[3]	-	-	-

3 Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

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.

EXECUTIVE CHAIRMAN'S FY20 GRANT OF OPTIONS

The FY20 LTI plan awards were divided in 2 tranches and vest subject to the gross revenue and normalised EBITDA performance hurdle calculation in any of a three-year performance period and continuing employment:

- Tranche 1 (2,385,405 options) will vest 3 months after issue and on the achievement of $50,000,000 in gross revenue and $2,000,000 in normalised EBITDA as at the Company's full year results; and
- Tranche 2 (2,385,405 options) will vest 3 months after issue and on the achievement of $60,000,000 in gross revenue and $4,000,000 in normalised EBITDA as at the Company's full year results.

The expiry date of the options is 29 November 2022.

The gross revenue and normalised EBITDA performance hurdle was chosen as being a performance measure appropriate to current circumstances of the Group given the Group's short term objective is to continue to build strong sales momentum and deliver profitable growth.

CEO'S FY21 GRANT OF OPTIONS

The FY21 LTI plan awards were divided in 2 tranches and vest subject to the gross revenue and normalised EBITDA performance hurdle calculation in any of a three-year performance period and continuing employment:

- Tranche 1 (2,385,405 options) will vest 3 months after issue and on the achievement of $50,000,000 in gross revenue and $2,000,000 in normalised EBITDA as at the Company's full year results; and
- Tranche 2 (2,385,405 options) will vest 3 months after issue and on the achievement of $60,000,000 in gross revenue and $4,000,000 in normalised EBITDA as at the Company's full year results.

The expiry date of the options is 23 November 2023.

The gross revenue and normalised EBITDA performance hurdle was chosen as being a performance measure appropriate to current circumstances of the Group given the Group's short term objective is to continue to build strong sales momentum and deliver profitable growth.

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:

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

Performance hurdles must be achieved in any consecutive 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 service condition after the issue date and the continuing employment. These options expired on 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 $0.68 for each option and an exercise price of $0.10. These tranches didn't meet the vesting condition before the expiry date.

KMP'S FY21 GRANT OF OPTIONS

The FY21 LTI plan awards were divided in 2 tranches and vest subject to the gross revenue and normalised EBITDA performance hurdle calculation in any of a three-year performance period and continuing employment:

- Tranche 1 (200,000 options) will vest 3 months after issue and on the achievement of $50,000,000 in gross revenue and $2,000,000 in normalised EBITDA as at the Company's full year results; and
- Tranche 2 (200,000 options) will vest 3 months after issue and on the achievement of $60,000,000 in gross revenue and $4,000,000 in normalised EBITDA as at the Company's full year results.

The expiry date of the options is 10 June 2024.

The gross revenue and normalised EBITDA performance hurdle was chosen to be consistent with the Executive Chairman and CEO's options vesting conditions and considered appropriate to current circumstances of the Group given the Group's short term objective is to continue to build strong sales momentum and deliver profitable growth.

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
Dennis Lin (Executive Chairman)	3 months	3 months	Yes
Kristy Carr (Chief Executive Officer and Managing Director)	3 months	3 months	Yes
Iris Ren (Chief Financial Officer)	3 months	3 months	Yes
Fabrizio Jorge (Chief Operating Officer)[4]	3 months	3 months	Yes
David Orton (General Manager Commercial)[4]	3 months	3 months	Yes
Richard Paine (Chief Manufacturing Officer)[4]	3 months	3 months	Yes
Vivian Zurlo (Chief Marketing and Innovation Officer)[4]	3 months	3 months	Yes

4 Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

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 FY21, non-executive chairman and directors' remuneration was as follows:

Title	Name	Annual remuneration
Non-Executive Director	Matthew Reynolds	$40,000
Non-Executive Director	Steve Lin	$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

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.

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

Table A(1): Remuneration for KMP for the year ended 30 June 2021

		Short Term				Post-Employment	Other Long Term			
		Salary & fees $	Annual leave $	Cash bonus $	Non-monetary $ (1)	Super-annuation $	Long service leave $	Share based payments – options $	Total $	Perfor-mance related %
Dennis Lin (2)	2021	243,269	19,231			23,111	1,973	(1,207,997)	(920,413)	131%
	2020	99,934	7,998	-	-	9,494	252	1,207,997	1,325,678	91%
Kristy Carr	2021	427,500	34,615	75,000	6,000	40,613	49,330	-	633,058	12%
	2020	270,000	23,077	150,000	6,000	25,650	5,251	(1,349,046)	(869,068)	138%
Anthony Gualdi (3)	2021	-	-	-	-	-	-	-	-	0%
	2020	68,031	6,407	-	2,500	6,463	45,212	-	128,613	0%
Iris Ren	2021	238,942	19,231	15,000	-	22,700	4,504	-	300,377	5%
	2020	212,385	16,923	15,000	-	20,177	2,985	-	267,470	6%
David Orton (4)	2021	167,905	15,579	-	-	15,951	2,913	-	202,348	0%
	2020	211,538	16,923	10,000	-	20,096	3,140	-	261,697	4%
Richard Paine (4)	2021	201,343	16,228	12,658	-	19,128	2,004	-	251,360	6%
	2020	238,462	19,231	-	-	22,654	1,475	-	281,822	0%
Vivian Zurlo (4)	2021	189,263	15,254	-	-	17,980	1,752	-	224,249	0%
	2020	194,615	5,385	-	-	18,488	695	-	219,183	0%
Fabrizio Jorge (4)	2021	64,658	4,974	-	-	6,143	31	-	75,806	0%
	2020	-	-	-	-	-	-	-	-	-
Total	2021	1,532,880	125,112	102,658	6,000	145,624	62,507	(1,207,997)	766,783	
	2020	1,294,965	95,944	175,000	8,500	123,022	59,010	(141,049)	1,615,392	

(1) Non-monetary benefits include motor vehicle and travel allowances.
(2) Dennis Lin was appointed as an executive chairman on 22 October 2019.
(3) Anthony Gualdi resigned on 30 November 2019.
(4) Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

Table A(2): Remuneration for Non-executive Directors for the year ended 30 June 2021

		Short Term		Post-Employment	Other Long Term			
		Salary & fees $	Non-monetary $	Super-annuation $	Long service leave $	Share based payments – options $	Total $	Perfor-mance related %
Matthew Reynolds	2021	40,000	-	3,800	-	-	43,800	-
	2020	40,000	-	3,800	-	-	43,800	-
Steve Lin (2)	2021	40,000	-	-	-	-	40,000	-
	2020	40,000	-	-	-	-	40,000	-
Dennis Lin (1)	2021	-	-	-	-	-	-	-
	2020	46,027	-	4,373	-	-	50,400	-
Total	2021	80,000	-	3,800	-	-	83,800	-
	2020	126,027	-	8,173	-	-	134,200	-

(1) Dennis Lin resigned as a Non-executive Director on 21 October 2019 and was appointed as an executive chairman on 22 October 2019.
(2) Steve Lin's services were remunerated by C2 Capital Partners in FY20 and FY21.

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 (1)	2021	13,620,600	-	-	-	13,620,600
	2020	16,761,600	-	-	(3,141,000)	13,620,600
Anthony Gualdi (2)	2021	-	-	-	-	-
	2020	12,000,000	-	-	(2,000,000)	10,000,000
Steve Lin(3)	2021	-	-	-	-	-
	2020	-	-	-	-	-
Dennis Lin	2021	-	-	-	-	-
	2020	-	-	-	-	-
Matthew Reynolds	2021	-	-	-	-	-
	2020	-	-	-	-	-
Iris Ren	2021	-	-	-	-	-
	2020	-	-	-	-	-
David Orton (4)	2021	-	-	-	-	-
	2020	-	-	-	-	-
Richard Paine (4)	2021	1,500	-	-	-	1,500
	2020	1,500	-	-	-	1,500
Vivian Zurlo (4)	2021	-	-	-	-	-
	2020	-	-	-	-	-
Fabrizio Jorge (4)	2021	-	-	-	-	-
	2020	-	-	-	-	-

[1] Shares are held under Carr Family Pty Limited.

[2] Shares are held under Infant Food Business Pty Limited. Anthony Gualdi resigned on 30 November 2019.

[3] At 30 June 2019 and 30 June 2020, 76,288,510 shares were held by C2 Capital Partners, of which Steve Lin is the Managing Director.

[4] Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo ceased being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021.

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 expired	Number forfeited	Number cancelled	Number of options held at the end of the period
Dennis Lin	2021	-	-	-	-	-	-	-	-	-	4,770,810
	2020	29/11/2019	4,770,810	$0.9838	$0.10	29/11/2022	-	-	-	-	4,770,810
Kristy Carr	2021	23/11/2020	4,770,810	$0.6132	$0.10	23/11/2023	-	4,770,810	-	-	4,770,810
	2020	-	-	-	-	-	-	-	-	-	4,770,810
Iris Ren	2021	10/06/2021	400,000	$0.1541	$0.65	10/06/2024	-	-	-	-	400,000
	2020	-	-	-	-	-	-	-	-	-	-
Fabrizio Jorge(1)	2021	10/06/2021	400,000	$0.1088	$0.65	10/06/2024	-	-	-	-	400,000
	2020	-	-	-	-	-	-	-	-	-	-
David Orton(1)	2021	10/06/2021	400,000	$0.1541	$0.65	10/06/2024	-	-	-	-	400,000
	2020	-	-	-	-	-	-	-	-	-	-
Richard Paine(1)	2021	10/06/2021	400,000	$0.1541	$0.65	10/06/2024	-	-	-	-	400,000
	2020	-	-	-	-	-	-	-	-	-	-
Vivian Zurlo(1)	2021	10/06/2021	400,000	$0.1541	$0.65	10/06/2024	-	-	-	-	400,000
	2020	-	-	-	-	-	-	-	-	-	-

(1) Due to the changes in corporate structure during the year, Richard Paine, David Orton and Vivian Zurlo stopped being a KMP on 3 May 2021. Fabrizio Jorge became a KMP on 3 May 2021

END OF REMUNERATION REPORT (AUDITED)

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

Dated: 31 August 2021

DENNIS LIN

EXECUTIVE CHAIRMAN
SYDNEY

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.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 its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- Giving a true and fair view of the Company and Group's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Inventory *Refer to note C2 Inventories* During the year the Group recognised $12.6 million charge to its profit or loss, representing inventory write-offs of $2.2 million, provision for inventory of $9.6 million and take or pay penalty charges of $0.85 million. Total inventories on hand, post these adjustments at 30 June 2021 is $20.5 million. As disclosed in note C2 of the financial report, inventories are valued at the lower of cost and net realisable value. We identified the valuation of inventory as a key audit matter due to the significance of the balance in the Group's consolidated financial position and the complexity in estimation of its net realisable value which requires significant judgement in forecasting sales demand and the valuation of inventories. The estimation uncertainty increased as a result of the impacts of COVID-19 on macroeconomic factors and the underlying assumptions used in estimating the inventory provision.	Our audit procedures included, but were not limited to: • Understanding management's processes and relevant key controls over the inventory provision. • Attended stocktakes at a selection of locations to validate the existence and expiry dates of inventory on a sample basis. • Assessed the application of inventory costing methodologies and tested the recorded cost of a sample of inventory items to supplier invoices and/or other relevant documentation. • Assessing, challenging and testing management's assumptions and judgements included in the inventory net realisable value calculation. Our procedures included validating model inputs, for example expiry dates, forecasted sales volume and enquiries with management. • Testing the inventory provision by analysing the historical sales data against the sales forecast and its remaining shelf life. • Evaluating the appropriateness of the disclosures included in Note C2 to the financial statements.
Carrying value of goodwill and other intangible assets *Refer to note C5 Intangible Assets* We identified the impairment of goodwill and other non-current assets as a key audit matter due to the significance of these balances in the Group's consolidated financial position and the estimation of recoverable amount of each Cash Generating Unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variable and market conditions.	Our audit procedures included, amongst others: • Understanding management's processes and relevant controls related to the preparation of the value-in-use models for all CGUs. • Evaluated the management prepared cashflow forecasts that have been approved by the Board, including key assumptions used in developing the forecast. • Assessed the competence, capabilities and objectivity of the Group's experts used to

Deloitte.

As at 30 June 2021, prior to recognition of impairment losses of $44.6 million, the Group had goodwill of $41.5 million, other intangible assets of $44.0 million and property, plant and equipment of $4.5 million contained within its CGUs. Goodwill and indefinite life intangible assets are required to be tested for impairment annually and whenever an impairment indicator exists. As a result, management completed impairment testing for all three CGUs at 30 June 2021. The Group's operating performance during the year ended 30 June 2021 and the current economic and trade environment gave rise to impairment indicators. Following management's assessment, an impairment loss of $23.9 million and $20.7 million has been recognised against the Nulac Foods and Deloraine Dairy CGUs during the year then ended 30 June 2021. No impairment has been recognised against the Infant Food Co CGU. Management's assessment indicated that the recoverable amounts of all CGUs remain highly sensitive to the assumptions in the budget, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates, the application of the SAMR accreditation and the renewal of the CNCA license, and an appropriate discount rate. The estimation uncertainty increased as a result of the impact of COVID-19 on macroeconomic factors underlying the assumptions used in the value in use model. Key judgements and estimates used in determining the recoverable amount are disclosed in note C5 of the financial report.	perform the valuation of the Deloraine Dairy CGU. • Assessing the historical budgeting accuracy of the Group and, where appropriate, challenging forecast cash flows with reference to historical performance. • In conjunction with our valuation specialists, assessing the value-in-use methodology and mathematical accuracy of the impairment model and comparing the discount rate and long-term growth rate to external benchmark data. • Assessing management's sensitivity analysis and performing independent sensitivity analysis on the value-in-use models to challenge key assumptions. • Evaluating the appropriateness of the disclosures included in Note C5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 55 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Bubs Australia Limited, for the year ended 30 June 2021, 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.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Andrew Lian Sun

Partner
Chartered Accountants

Melbourne, 31 August 2021

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

31 August 2021

The Board of Directors
Bubs Australia Limited
23-29 Nina Link Road
Dandenong South VIC 3175

Dear Board Members

Auditor's Independence Declaration to Bubs Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bubs Australia Limited.

As lead audit partner for the audit of the financial report of Bubs Australia Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Andrew Lian Sun

Partner
Chartered Accountants

04

FINANCIAL **STATEMENTS**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 $	2020 $
Revenue	B2	39,312,738	54,644,952
Cost of sales	B3	(46,587,926)	(44,276,408)
Gross profit/ (loss)		(7,275,188)	10,368,544
Other Income		523,764	377,697
Share of net profits/ (loss) of associate accounted for using the equity method		(687,323)	(272,496)
Distribution and selling costs		(1,992,844)	(1,885,185)
Marketing and promotion costs		(7,175,341)	(9,907,735)
Administrative and other costs	B3	(15,182,292)	(13,369,565)
Impairment	C5	(44,640,260)	-
Other expenses	B3	(86,208)	(349,209)
Interest income		144,774	317,504
Finance cost	B3	(1,507,582)	(1,380,255)
Loss before tax		(77,878,500)	(16,100,700)
Income tax benefit	B5	3,140,580	8,329,562
Loss for the year after tax		(74,737,920)	(7,771,138)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translation of foreign operations		(10,204)	(14,177)
Other comprehensive income, net of tax		(10,204)	(14,177)
Total comprehensive loss for the year		(74,748,124)	(7,785,315)
Loss per share			
Basic (loss) per share (dollars)	B4	(0.12)	(0.01)
Diluted (loss) per share (dollars)	B4	(0.12)	(0.01)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30/06/2021 $	30/06/2020 $
Assets			
Current Assets			
Cash and cash equivalents	D3	27,883,202	26,025,575
Trade and other receivables	C1	8,643,277	6,619,072
Other assets	C3	686,435	1,271,122
GST receivable	C11	417,036	956,045
Inventories	C2	20,546,605	30,602,156
Total Current Assets		58,176,555	65,473,969
Non-Current Assets			
Other assets	C3	391,545	382,985
GST receivable	C11	267,691	255,768
Plant and equipment	C4	4,146,761	4,067,769
Right of use assets	C8	1,622,575	2,081,000
Intangible assets	C5	41,267,323	88,504,687
Investment in associates	E	45,883	743,542
Total Non-Current Assets		47,741,778	96,035,751
Total Assets		105,918,333	161,509,720
Liabilities			
Current Liabilities			
Trade and other payables	C6	8,010,503	11,003,580
Contract liabilities	C7	28,297	67,234
Lease liabilities	C8	426,667	422,805
Borrowings	C9	2,000,000	2,000,000
Provisions	C10	1,326,911	601,269
Share based payment liability	C11	417,036	956,045
Deferred consideration payables	C12	4,510,181	4,510,181
Total Current Liabilities		16,719,595	19,561,114
Non-Current Liabilities			
Lease liabilities	C8	1,738,076	2,166,131
Provisions	C10	173,180	148,841
Share based payment liability	C11	267,691	255,768
Deferred consideration payables	C12	-	3,873,573
Deferred tax liabilities	B5	-	3,605,635
Total Non-Current Liabilities		2,178,947	10,049,948
Total Liabilities		18,898,542	29,611,062
Net Assets		87,019,791	131,898,658
Equity			
Issued capital	D5	274,851,116	236,965,360
Share based payments reserve	D6	2,988,548	11,005,047
Foreign currency translation reserve		(22,414)	(12,210)
Accumulated losses		(190,797,459)	(116,059,539)
Total Equity		87,019,791	131,898,658

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2021		Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2020		236,965,360	11,005,047	(12,210)	(116,059,539)	131,898,658
Comprehensive income						
Loss for the year		-	-	-	(74,737,920)	(74,737,920)
Other comprehensive loss		-	-	(10,204)	-	(10,204)
Total comprehensive loss		-	-	(10,204)	(74,737,920)	(74,748,124)
Transactions with owners in their capacity as owners:						
Issue of shares	D5	38,907,402	-	-	-	38,907,402
Capital raising costs, net of tax	D5	(1,021,646)	-	-	-	(1,021,646)
Share based payment expense/ (benefit)	D6	-	(1,207,998)	-	-	(1,207,998)
Share based payment expense/ (benefit) – Corporate transaction	D6	-	(6,808,501)	-	-	(6,808,501)
Balance at 30 June 2021		274,851,116	2,988,548	(22,414)	(190,797,459)	87,019,791

The accompanying notes form part of these financial statements.

2020		Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2019		189,059,150	24,878,923	1,967	(108,288,401)	105,651,639
Comprehensive income						
Loss for the year		-	-	-	(7,771,138)	(7,771,138)
Other comprehensive income		-	-	(14,177)	-	(14,177)
Total comprehensive income		-	-	(14,177)	(7,771,138)	(7,785,315)
Transactions with owners in their capacity as owners:						
Issue of shares	D5	48,732,827	-	-	-	48,732,827
Exercise of options	D5	150,655	-	-	-	150,655
Capital raising costs, net of tax	D5	(977,272)	-	-	-	(977,272)
Share based payment expense/ (benefit)	D6	-	(141,049)	-	-	(141,049)
Share based payment expense / (benefit) – Corporate transaction	D6	-	(13,732,827)	-	-	(13,732,827)
Balance at 30 June 2020		236,965,360	11,005,047	(12,210)	(116,059,539)	131,898,658

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		43,560,575	65,487,490
Payments to suppliers and employees		(66,098,975)	(87,444,781)
Interest received		155,720	383,665
Interest paid		(247,578)	(343,452)
Net cash used in operating activities	D4	(22,630,258)	(21,917,078)
Cash flows from investing activities			
Purchases of property, plant and equipment		(602,145)	(166,861)
Proceeds from disposal of property, plant and equipment		7,653	864
Net payments to Deloraine vendors relating to Deloraine acquisition		(5,000,000)	(2,205,073)
Purchases of intangible assets		(7,800)	(52,550)
Payments for interests in associates		-	(1,030,470)
Net payments to Nulac vendors relating to Nulac Foods acquisition and disposal of joint ventures		-	(5,245,095)
Net cash used in investing activities		(5,602,292)	(8,699,185)
Cash flows from financing activities			
Proceeds from share issue		32,098,901	35,000,000
Exercise of options		-	150,655
Capital raising costs		(1,459,495)	(1,396,102)
Repayment of lease liabilities		(549,229)	(403,773)
Net cash from financing activities		30,090,177	33,350,780
Net increase in cash and cash equivalents		1,857,627	2,734,517
Cash and cash equivalents at the beginning of the financial year		26,025,575	23,291,058
Total cash and cash equivalents at the end of the year		27,883,202	26,025,575

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 2021. 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 31 August 2021. 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').

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

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 and recoverability of deferred tax assets	Note B5
Share based payments	Note G2

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 FY20 and FY21, the Group had identified a single operating segment being the sale of nutritional food, 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

	2021 $	2020 $
Australia	20,436,532	36,540,584
China	10,465,477	12,692,522
Other International	8,410,729	5,411,846
Total	39,312,738	54,644,952

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

The Group had 1 external customers who generated greater than 10 percent of the Group's revenue at 30 June 2021 amounting to $6,163,200. The Group had 2 external customers who generated greater than 10 percent of the Group's revenue at 30 June 2020 amounting to $17,220,404.

B.2

REVENUE

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

Type of goods and services	2021 $	2020 $
Sale of Infant Formula	19,290,709	29,845,732
Sale of Baby Food and Vitamins	1,459,480	2,604,513
Sale of Adult Goat Dairy Products	14,265,575	17,827,278
Sale of Raw Materials	3,344,601	2,340,973
Canning services	952,373	2,026,456
Total revenue from contracts with customers	39,312,738	54,644,952

RECOGNITION AND MEASUREMENT

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.

SALE OF PRODUCTS

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

- Infant Formula
- Baby Food and Vitamins
- Adult Goat 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*, marketing contributions give rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'most likely amount method' for contracts with marketing contribution. The selected method that best predicts the amount of variable consideration is primarily driven by the marketing contribution agreed with the customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Provision of 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 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 consideration to be included in the transaction price for the sale of products with rebates and market contribution.

The Group estimates variable consideration 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

	2021 $	2020 $
Cost of sales		
Production costs	33,976,039	42,639,299
Inventories written off / provision	12,611,887	1,637,109
Total	46,587,926	44,276,408
Included in administrative and other expenses are the following:		
Listing and registry fees	437,320	397,964
Accountancy and legal fees	1,295,996	673,298
Insurance	666,094	485,233
Travel costs	219,193	421,412
Consultancy fee	548,344	214,317
Occupancy costs	144,187	127,698
Credit losses	718,782	17,788
Depreciation and amortisation	3,405,018	3,730,852
Employee costs		
Wages and salaries	5,762,627	5,334,823
Superannuation	492,955	443,096
Share based payments	(1,207,998)	(141,049)
Total	5,047,584	5,636,870
Other expenses		
Corporate transaction accounting expense	86,208	349,209
Total	86,208	349,209
Finance costs		
Interest expense	255,168	193,703
Interest expense on lease liabilities	125,987	149,860
Unwinding of consideration payable	1,126,427	1,036,692
Total	1,507,582	1,380,255

B.4

LOSS PER SHARE (LPS)

	2021	2020
Loss attributable to the Group used in calculating basic and diluted EPS	(74,737,920)	(7,771,138)
Weighted average number of ordinary shares for basic EPS	603,627,471	538,114,198
Basic LPS (dollars)	(0.12)	(0.01)
Diluted LPS (dollars)*	(0.12)	(0.01)

* The Group has granted 11,541,620 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.5

INCOME TAXES

	2021 $	2020 $
Consolidated profit or loss		
Income tax benefit		
Current tax	-	-
Adjustments in respect of prior years	(27,207)	-
Deferred tax	3,167,787	8,329,562
Income tax benefit reported in the statement of profit or loss	3,140,580	8,329,562
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Accounting loss before income tax benefit	77,878,500	16,100,700
Income tax benefit calculated at 30% (2020: 30%)	23,363,550	4,830,210
Effect of different tax rates of subsidiary operating in other jurisdiction	(73,560)	-
Tax effect of amounts not taxable in calculating income tax benefit:		
Allocable cost amount relating to Deloraine acquisition	-	(531,743)
Share based payments	362,399	42,315
Non-deductible costs	(338,007)	(174,108)
Impairment	(13,392,078)	-
Deferred consideration payable fair value movement	(337,928)	(311,008)
Income tax losses not recognised	(5,415,204)	-
Temporary difference not recognised	(1,081,414)	-
Other	79,849	(347,897)
Adjustments in respect of prior years	(27,027)	-
Income tax losses recognised	-	4,821,793
Income tax benefits	3,140,580	8,329,562

Deferred tax assets/(liabilities) arise from the following

2021	Opening Balance	Recognised in Profit or Loss	Recognised in equity	Closing Balance
Trade and other receivables	104,828	394,223	-	499,051
Inventories	294,986	1,884,012	-	2,178,998
Intangible assets	(14,112,908)	912,054	-	(13,200,854)
Plant and equipment	(421,721)	110,016	-	(311,711)
Right of use assets	(624,300)	126,544	-	(497,756)
Lease Liabilities	776,681	(127,258)	-	649,423
Trade and other payables	69,433	2,637	-	72,070
Provisions	154,348	58,695	-	213,043
Carried forward tax losses	9,381,711	226,496	-	9,608,207
Capital raising costs	771,313	(419,631)	437,848	789,530
	(3,605,635)	3,167,787	437,848	-

2020	Opening Balance	Recognised in Profit or Loss	Recognised in equity	Closing Balance
Trade and other receivables	-	104,828	-	104,828
Inventories	112,392	182,594	-	294,986
Intangible assets	(14,770,024)	657,116	-	(14,112,908)
Plant and equipment	48,481	(470,208)	-	(421,727)
Right of use assets	-	(624,300)	-	(624,300)
Lease Liabilities	-	776,681	-	776,681
Trade and other payables	-	69,433	-	69,433
Provisions	-	154,348	-	154,348
Carried forward tax losses	1,418,030	7,479,070	484,611	9,381,711
Capital raising costs	837,095	-	(65,782)	771,313
	(12,354,026)	8,329,562	418,829	(3,605,635)

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.

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 2021, Bubs has recognised deferred tax assets of $14,010,321 (2020: $11,553,301) primarily relating to carried forward tax losses and 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 2021, the Group had $6,774,353 (2020: Nil) of unrecognised tax losses and $1,081,414 (2020; Nil) of unrecognised temporary differences.

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

	30/06/2021 $	30/06/2020 $
Trade debtors	8,410,194	4,451,294
Allowance for credit losses	(717,691)	(10,525)
Other receivables	296,213	360,515
Receivable from associates	654,561	1,817,788
	8,643,277	6,619,072

The following table details the risk profile of trade receivables based on the Group's provision matrix.

TRADE RECEIVABLES - DAYS PAST DUE

30/06/2021	Not past due	<30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Estimated total gross carrying amount at default	15,709	4,865	755	-	-	696,362	717,691
Lifetime ECL							717,691

TRADE RECEIVABLES - DAYS PAST DUE

30/06/2020	Not past due	<30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Estimated total gross carrying amount at default	5,723	98	4,704	-	-	-	10,525
Lifetime ECL							10,525

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 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

	30/06/2021 $	30/06/2020 $
Raw materials	14,278,685	14,266,867
Finished goods	6,267,920	16,335,289
	20,546,605	30,602,156

The amount of inventory that was written off during the year was $2,173,988 (2020: $547,873). An inventory obsolescence provision $9,587,899 (2020: $983,290) was recognised as an expense during the year. A take or pay penalty $850,000 (2020: Nil) was recognised as an expense during the year, disclosed as part of inventory write off expense. The cost of inventories recognised as an expense during the year in respect of continuing operations was $32,164,537 (2020: $38,849,052).

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. Management assessed the recoverability of inventories based on the estimated ongoing impact from COVID-19 on distribution channels and estimated end consumer demand in FY22. Changes in trading and economic conditions, and changes in country specific regulations, may impact these estimations in future periods.

C.3

OTHER ASSETS

Current	30/06/2021 $	30/06/2020 $
Prepayments and other assets	256,972	497,175
Deposits paid	385,773	586,286
Inventories paid in advance	43,690	187,661
	686,435	1,271,122

Non-current		
Security bond	391,545	382,985

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 the Deloraine Dairy site.

C.4

PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

	Building and improvements $	Production equipment $	Motor Vehicle $	Office equipment $	Total $
As at 1 July 2019	1,371,300	2,826,677	25,000	143,669	4,366,646
Additions	17,570	124,452	-	24,842	166,864
Disposals	-	(28,652)	-	(10,194)	(38,846)
As at 30 June 2020	1,388,870	2,922,477	25,000	158,317	4,494,664
Additions	118,767	646,123	-	46,442	811,332
Disposals	(4,830)	-	-	(13,464)	(18,294)
As at 30 June 2021	1,502,807	3,568,600	25,000	191,295	5,287,702
Accumulated Depreciation and impairment					
As at 1 July 2019	(16,170)	(102,165)	(416)	(34,120)	(152,870)
Depreciation	(81,320)	(175,276)	(2,083)	(34,250)	(292,929)
Disposals	-	12,143	-	6,762	18,905
As at 30 June 2020	(97,490)	(265,298)	(2,499)	(61,608)	(426,895)
Depreciation	(83,758)	(209,260)	(2,083)	(35,704)	(330,805)
Impairment	(116,587)	(269,167)	(1,801)	(4,829)	(392,384)
Disposals	413	-	-	8,730	9,143
As at 30 June 2021	(297,422)	(743,725)	(6,383)	(93,411)	(1,140,941)
Net book value					
As at 30 June 2020	1,291,380	2,657,179	22,501	96,709	4,067,769
As at 30 June 2021	1,205,385	2,824,875	18,617	97,884	4,146,761

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	15-20 years
Production equipment	12-19 years
Motor Vehicle	10 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.

C.5

INTANGIBLE ASSETS

	Goodwill $	Brand name $	Licence $	Priority right $	Customer contract/ list $	Recipes $	Patents, trademarks and software $	Total $
As at 1 July 2019	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	110,632	142,513,538
Additions	-	-	-	-	-	-	52,550	52,550
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2020	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	163,182	142,566,088
Additions	-	-	-	-	-	-	7,800	7,800
Disposals	-	-	-	-	-	-	(66,722)	(66,722)
As at 30 June 2021	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	104,260	142,507,166
Accumulated amortisation and impairment								
As at 1 July 2019	(49,138,940)		(349,901)	(300,000)	(847,852)	(47,740)	(46,113)	(50,730,546)
Amortisation	-	-	(1,749,504)	(900,000)	(648,199)	-	(33,152)	(3,330,855)
Disposal	-	-	-	-	-	-	-	-
As at 30 June 2020	(49,138,940)		(2,099,405)	(1,200,000)	(1,496,051)	(47,740)	(79,265)	(54,061,401)
Amortisation	-	-	(1,749,504)	(600,000)	(648,199)	-	(23,853)	(3,021,556)
Impairment	(40,901,662)	-	(3,093,031)	-	(215,488)	-	(1,083)	(44,211,264)
Disposals	-	-	-	-	-	-	54,379	54,379
As at 30 June 2021	(90,040,602)		(6,941,940)	(1,800,000)	(2,359,738)	(47,740)	(49,822)	(101,239,842)
Net book value								
At 30 June 2020	41,475,733	4,691,634	36,389,690	600,000	5,263,713	-	83,917	88,504,687
As at 30 June 2021	574,071	4,691,634	31,547,155	-	4,400,026	-	54,437	41,267,323

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 (2020: $1,165,712); Nulac Foods $6,302,161 (2020: $31,218,363) and Deloraine Dairy $33,745,013 (2020: $56,036,695).

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 2021, 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 finite life of 22 years.

CUSTOMER CONTRACT/LIST

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite 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.

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:

	2021	2020
Infant Food Co	1,165,712	1,165,712
Nulac Foods	4,100,000	28,077,406
Deloraine Dairy	-	16,924,256
	5,265,712	46,167,374

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.

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 and whenever an indicator of impairment exists. 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 2021

Infant Food Co CGU and Nulac CGU

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 prepared by the management.

In light of the current impact of COVID-19 on the Group's performance in FY21, management has reviewed the assumptions applied to the value in use models for goodwill impairment testing and made additional adjustments to the five-year forward plans used in the Group's impairment testing in order to reflect the estimated impact from COVID-19 based on information available as at 30 June 2021. The value in use models are considered to reflect a base case of cashflows and appropriate discount rate.

KEY ASSUMPTIONS

	2021		2020	
CGUs	Infant Food Co	Nulac Foods	Infant Food Co	Nulac Foods
Discount rate (post tax)	12.93%	11.90%	12.93%	11.90%
Discount rate (pre tax)	18.50%	17.00%	18.50%	17.00%
Terminal growth	2.00%	2.00%	2.00%	2.00%

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 FY21, and 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.

The Group has not adjusted the discount rates in light of the current impact of COVID-19 as the Group has incorporated the risk into five-year forward plans and reflected in the value in use models for goodwill impairment testing.

Revenue growth – Revenue projections have been constructed with reference to the FY21 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. 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 2.0% (2020: 2.0%) 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 impairment testing, management determined the carrying amount of Nulac CGU exceeded its recoverable amount, resulting in a goodwill impairment of $23,977,406. The recoverable amount for the Infant Food Co CGU exceeded its carrying amount and therefore no impairment loss has been recognised.

There is $3.4 million headroom for Infant Food Co CGU. Any adverse changes in the assumption will possibly result in an impairment.

Management has identified that a reasonably possible change in three key assumptions could result an impairment in Infant Food Co CGU and a further impairment for Nulac Foods as shown in the following table.

		Impact on recoverable amount	
	% change	Infant Food Co	Nulac Foods
Discount rate	1.5%	(6,118,543)	(2,286,385)
Budgeted gross revenue growth	-5%	(29,659,407)	(6,327,996)
Budgeted gross margin	-1%	(8,843,387)	(1,328,969)

Deloraine Dairy CGU

Management engaged an independent external valuation specialist to perform a valuation on Deloraine Dairy CGU. The valuation was determined on a value in use basis using a discounted cash flow approach based on financial budgets and five-year forward plans prepared by management.

The predominant driver of the valuation is the application of the SAMR accreditation and CNCA license renewal. As a result, eight broad scenarios were developed to capture a range of expected future possibilities based on the projections prepared by the management. A pre-tax discount rate of 17.86% (2020: 17.01%) and post-tax discount rate of 12.5% (2020; 11.91%) and terminal growth rate of 2.0% (2020: 2.0%) were adopted in the valuation model. Based on the outcome of each scenario, the CGU value adopted in the external valuation report is between $30 million and $45 million. Management has adopted a mid- point valuation of $37.5m which resulted in a goodwill impairment of $16,924,256 and an impairment of $3,738,597 in other assets within the CGU.

C.6

TRADE AND OTHER PAYABLES

	30/06/2021 $	30/06/2020 $
Trade payables	5,383,123	7,559,124
Other payables	1,927,930	2,773,565
Customer deposits	684,545	609,884
Payable to associates	14,905	61,007
	8,010,503	11,003,580

As at 30 June 2021, a total of $113,182 Payroll tax payable were deferred to FY22 as part of the benefits received by the Group during the COVID-19 period.

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.

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

C.7

CONTRACT LIABILITIES

	2021 $	2020 $
Contract liabilities	28,297	67,234
	28,297	67,234

$64,807 included in contract liabilities at 30 June 2020 was recognised as revenue during the year. No revenue was recognised in the current year that related to performance obligations that were satisfied in the prior 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
LEASES

RIGHT OF USE ASSETS

	Buildings $	Equipment $	Total $
Cost			
At 1 July 2020	2,444,996	76,042	2,521,038
Additions	-	-	-
At 30 June 2021	2,444,996	76,042	2,521,038
Accumulated Depreciation and Impairment			
At 1 July 2020	(421,805)	(18,233)	(440,038)
Depreciation	(403,721)	(18,092)	(421,813)
Impairment	(36,612)		(36,612)
At 30 June 2021	(862,138)	(36,325)	(898,463)
Carrying amount			
At 30 June 2020	2,023,191	57,809	2,081,000
At 30 June 2021	1,582,858	39,718	1,622,575

The Group leases several assets including buildings and IT equipment. The lease terms range from 1.2 – 10 years (2020: 1.2 - 10 years).

Extension options are included in a number of leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension options held are exercisable only by the group and not by the respective lessor.

AMOUNTS RECOGNISED IN PROFIT AND LOSS

	30/06/2021 $	30/06/2020 $
Depreciation expense on right-of-use assets	421,813	440,038
Interest expense on lease liabilities	125,987	149,860
Impairment	36,612	-
Expense relating to short-term leases	104,393	19,812

The total cash outflow for leases amount to $549,229 (2020: $553,633).

LEASE LIABILITIES

	30/06/2021 $	30/06/2020 $
Current	426,667	422,805
Non-current	1,738,076	2,166,131
	2,164,743	2,588,936
Maturity analysis		
Year 1	531,663	550,557
Year 2	499,199	532,824
Year 3	502,266	499,444
Year 4	512,266	502,267
Year 5	393,347	512,266
Onwards	-	393,347
	2,438,741	2,990,705
Less unearned interest	273,998	401,769
Total	2,164,743	2,588,936

The Group does not face a significant liquidity risk with regard to its lease liabilities. All lease obligations are denominated in Australian dollars.

RECOGNITION AND MEASUREMENT

Applying AASB 16, for all leases, the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.
- Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with *AASB 136 Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'Administrative and other costs' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 16:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

C.9

BORROWINGS

	2021 $	2020 $
Current	2,000,000	2,000,000
	2,000,000	2,000,000

The Group has a working capital facility with National Australia Bank. Total limit of the facility is $10 million (2020: $10 million) with $2 million drawn at 30 June 2021 (2020: $2 million). 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 due to relatively short term maturity.

C.10

PROVISION

	30/06/2021 $	30/06/2020 $
Current		
Annual leave and long service leave	536,963	365,653
Other provision	789,948	235,616
	1,326,911	601,269
Non - Current		
Long service leave	82,105	59,520
Make good provision	91,075	89,321
	173,180	148,841

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.

OTHER PROVISION

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

A provision was raised for associated costs to settle a claim in relation to the price difference on milk supplied by Central Dairy Goats Limited ('CDG') from 1 October 2020 to 30 June 2021. Further details are disclosed in Note D7 Contingent Liabilities.

C.11

SHARE BASED PAYMENT LIABILITY

	2021 $	2020 $
Current	417,036	956,045
Non-Current	267,691	255,768

As part of the Chemist Warehouse transaction the Group engaged in FY19, 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.

C.12

DEFERRED CONSIDERATION

As part of the acquisition of Deloraine Dairy in FY19, a deferred consideration of $15 million is payable in cash over the three year period. The fair value of the deferred consideration is estimated by calculating the present value of future expected cashflow.

A reconciliation of fair value measurement of the deferred consideration payable is provided below:

Balance at 30 June 2020	$8,383,754
Unwinding of the deferred consideration payable recognised in profit or loss in the current period	$1,126,427
Deferred consideration paid in the current period	($5,000,000)
Balance at 30 June 2021	$4,510,181

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 2021 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.

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:	2021 $	2020 $
Cash and cash equivalent (counterparty risk)	27,883,202	26,025,575
Trade receivables (customer credit risk)	8,347,064	6,258,557
Other receivables	296,213	360,515
GST receivable	684,727	1,211,813
Deposits paid	385,773	586,286
	37,596,979	34,442,746

COUNTERPARTY RISK

At balance date, the Group's bank accounts were held with National Australia Bank Limited, Australia and New Zealand Bank Limited, Commonwealth Bank of Australia and Bank of the West. 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.

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 FY21, 16% of sales were to one customer (2020: 19% 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:

	2021 $	2020 $
Neither past due nor default	6,036,129	4,995,348
Past due but not impaired		
Past due up to 30 days	1,782,376	1,203,758
Past due 31 to 60 days	528,560	56,241
Past due 61 to 90 days	-	3,210
Past due more than 90 days	-	-
	8,347,064	6,258,557

Movement in allowance for doubtful debts

	2021 $	2020 $
Allowance of doubtful debts		
Balance at beginning of the year	10,525	3,755
Amount charged to the statement of profit or loss and other comprehensive income	730,009	17,788
Provision utilised	(22,843)	(11,018)
Balance at the end of year	717,691	10,525

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 transactions in Australia, New Zealand, China, USA 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.

2021	Net exposure on reporting date (Payable)/Receivable	Impact on pre-tax profit / (loss)	
Movement on exchange rate	**$**	**+10% $**	**-10% $**
NZD	(93,641)	8,513	(10,405)
USD	258,680	(23,516)	28,742
RMB	(39,417)	3,583	(4,380)
Euro	(13,960)	1,269	(1,551)
Net exposure	111,662	(10,151)	12,406

2020	Net exposure on reporting date (Payable)/Receivable	Impact on pre-tax profit / (loss)	
Movement on exchange rate	**$**	**+10% $**	**-10% $**
NZD	(800,571)	72,779	(88,952)
USD	253,428	(23,039)	28,159
RMB	98,332	(8,939)	10,926
Euro	179,782	(23,039)	19,976
Net exposure	(269,029)	17,762	(29,891)

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 (2020: $2,000,000) drawn at 30 June 2021. Total limit of facility is $10,000,000.

Contractual undiscounted maturities of financial liabilities

2021	Contractual cashflows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	3-5 years	More than 5 years
Non-derivative financial liabilities							
Lease liability	2,164,743	2,438,741	88,610	443,053	499,199	1,407,879	-
Deferred consideration payable	4,510,181	5,000,000	-	5,000,000	-	-	-
Trade and other payables	7,995,598	7,995,598	7,995,598	-	-	-	-
Borrowings	2,000,000	2,000,000	2,000,000	-	-	-	-
Payable to associates	14,905	14,905	14,905	-	-	-	-
	16,685,427	17,449,244	10,099,113	5,443,053	499,199	1,407,879	-

2020		Contractual cashflows					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Lease liability	2,588,936	2,990,705	91,759	458,798	532,824	1,513,977	393,347
Deferred consideration payable	8,383,754	10,000,000	-	5,000,000	5,000,000	-	-
Trade and other payables	11,003,580	11,003,580	11,003,580	-	-	-	-
Borrowings	2,000,000	2,000,000	2,000,000	-	-	-	-
Payable to associates	61,007	61,007	61,007	-	-	-	-
	24,037,277	26,055,292	13,156,346	5,458,798	5,532,824	1,513,977	393,347

D.3

CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank and on hand	27,883,202	26,025,575
	27,883,202	26,025,575

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

	2021 $	2020 $
(Loss) after income tax expense for the year	(74,737,920)	(7,771,138)
Income tax benefit	(3,140,580)	(8,329,562)
Share-based payments	(1,207,998)	(141,049)
Unwinding of deferred consideration payable	1,126,427	1,036,692
Impairment loss	44,640,260	-
Depreciation and amortisation	3,774,182	4,063,818
Equity accounting profit	697,659	286,929
Foreign currency reserve	(10,204)	(14,177)
Loss on disposal of intangible assets	12,344	-
Loss on disposal of plant and equipment	1,498	19,079
Decrease / (increase) in trade and other receivables	(2,122,970)	2,124,832
Decrease / (increase) in inventories	10,055,551	(16,049,756)
Decrease / (increase) in other assets	576,126	(17,545)
Increase / (decrease) in trade and other payables	(3,044,614)	2,764,925
Increase/ (decrease) in provisions	749,981	109,872
Net cash outflow from operating activities	**(22,630,258)**	**(21,917,078)**

D.5
SHARE CAPITAL

	30/06/2021		30/06/2020	
	Shares	$	Shares	$
Movement in share capital				
Balance at beginning of the year	560,295,334	236,965,360	509,590,057	189,059,150
Share based payment expense – Corporate transaction	12,356,627	6,808,501	12,356,627	13,732,827
Exercise of options	-	-	1,506,545	150,655
Placement of shares	35,371,844	28,297,475	31,578,947	30,000,000
Share purchase plan	4,751,775	3,801,426	5,263,158	5,000,000
Share issue transactions costs (net of tax)	-	(1,021,646)	-	(977,272)
Balance at end of year	**612,775,580**	**274,851,116**	**560,295,334**	**236,965,360**

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

D.6
SHARE BASED PAYMENTS RESERVE

	30/06/2021 $	30/06/2020 $
Balance at the beginning of the year	11,005,047	24,878,923
Share based payment	(1,207,998)	(141,049)
Share based payment – Corporate transaction	(6,808,501)	(13,732,827)
Balance at the end of the year	**2,988,548**	**11,005,047**

The equity settled payments reserve is used to record the value of share-based payments. Further details are disclosed in Note G2 Share based payments.Share based payment – Corporate transaction represents the value of shares that the Group has issued to Chemist Warehouse Retail Group during the period. The value of the shares was transferred to the issued capital with a reduction in the share based payments reserve.

An initial tranche of 2,974,272 fully paid ordinary shares was issued to Chemist Warehouse Retail Group on 2 September 2019 upon Chemist Warehouse stocking the products in accordance with the Heads of Agreement. The second tranche of 9,382,355 fully paid ordinary shares was issued on 23 December 2019 upon the approval at Bubs' 2019 AGM.

The third tranche of 12,356,627 fully paid ordinary shares were issued on 24 July 2020 upon satisfying its sales performance condition of meeting minimum sales target for the year ending 30 June 2020.

Due to the economic interruptions caused by COVID-19, Chemist Warehouse was not able to meet its sales performance targets for the year ending 30 June 2021. As a result, the fourth tranche of 12,356,627 ordinary shares were not issued.

The remaining 12,365,627 ordinary shares will be issued upon the future satisfaction of sales performance targets by Chemist Warehouse relating to the actual sales of Bubs products in Chemist Warehouse stores for the year ending 30 June 2022.

D.7
CONTINGENT LIABILITIES

On 18 December 2020, Central Dairy Goats Limited ('CDG') commenced proceedings in the High Court of New Zealand for breach of contract, alleging that Bubs New Zealand Pty Ltd ('Bubs') had incorrectly interpreted the price review mechanism in the Milk Supply Agreement between the parties dated 21 December 2018.

On 21 December 2020, CDG filed in the High Court for declaratory relief in the form of a summary judgement to affirm their interpretation of the contract and recover back payment for the period from 1 October 2020 to present. On 18 May 2021, Bubs appeared in the Wellington Registry of the High Court of New Zealand and defended the summary judgement application. Judgement was handed down on 28 May 2021 in favour of Bubs. Despite the circumstances, CDG have indicated that they are prepared to continue the litigation beyond summary judgement to a full trial.

In the event that the matter does progress to a full trial, the Group continues to monitor the potential exposure and seek legal advice.

E. 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 contributed 49% of registered capital RMB 4,900,000 in FY20. In April 2021, the Group and the Beingmate reached an agreement to unwind Bubs Brand Management. As at 30 June 2021, the liquidation process of Bubs Brand Management was yet to be finalised.

Summarised financial information of the associate is set out below:

	30/06/2021	30/06/2020
Current assets	1,313,080	3,218,647
Non-current assets	-	224,674
Current liabilities	(1,216,902)	(1,842,764)
Non-current liabilities	(2,539)	(83,124)
Net assets	(93,639)	(1,517,433)
Loss for the year		
Revenue	3,470,506	6,580,963
Loss before tax	(1,402,659)	(547,628)
Income tax expense	-	(8,487)
Loss for the year	(1,402,659)	(556,115)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1,402,659)	(556,115)
Reconciliation of the above summarised financial information to the carrying amount of the investment in Associate recognised in the consolidated financial statements		
Net assets of associate (49%)	93,639	1,517,433
Proportion of the Groups ownership interest in the associate (49%)	45,883	743,542
Carrying amount of the investment in the associate	**45,883**	**743,542**

On 19 June 2020, Capela Dairy Nutrition Co. Pty Ltd ('Capela Dairy') was established and was a wholly owned subsidiary of the Group. On 1 March 2021, 80% interest in Capela Dairy was transferred to Grand Products Investment Pty Ltd ('Grand Products') at a price of $80. No trading activities incurred up to 1 March 2021. The Group is not required to contribute any working capital.

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

Summarised financial information of the associate is set out below:

	30/06/2021
Current assets	2,941
Non-current assets	-
Current liabilities	(44,795)
Non-current liabilities	-
Net assets	(41,854)
Loss for the year 30 June 2021	
Revenue	-
Loss before tax	(41,954)
Income tax expense	-
Loss for the year	(41,954)
Other comprehensive income	-
Total comprehensive loss for the year	(41,954)
Reconciliation of the above summarised financial information to the carrying amount of the investment in Associate recognised in the consolidated financial statements	
Net assets of associate (20%)	(41,854)
Proportion of the Groups ownership interest in the associate (20%)	(8,371)
Carrying amount of the investment in the associate	**-**

RECOGNITION AND MEASUREMENT

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.*

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.

F. GROUP STRUCTURE

F.1 PARENT ENTITY

Bubs Australia Limited is the ultimate parent of the Group.

F.2 SUBSIDIARIES

	Country of incorporation	Principal Activity	Class or Shares	% Owned 2021	% Owned 2020
The Infant Food Holding Co. Pty Limited	Australia	Non-trading	Ordinary	100%	100%
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	New Zealand	Trading Company	Ordinary	100%	100%
Australia Deloraine Dairy Group Limited	British Virgin Island	Non-trading Holding Company	Ordinary	-	100%
Australia Deloraine Dairy Pty Ltd	Australia	Trading Company	Ordinary	100%	100%
Aussie Bubs Inc	USA	Trading Company	Ordinary	100%	-

F.3 PARENT ENTITY INFORMATION

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

	2021 $	2020 $ (Restated)
Result of parent entity		
Loss for the year	(78,759,315)	(50,175,353)
Other comprehensive income	-	-
Total comprehensive loss for the year	(78,759,315)	(50,175,353)
Financial position of parent entity at year end		
Current assets	827,357	981,810
Total assets	69,644,362	123,796,982
Current liabilities	5,340,186	1,262,482
Total liabilities	4,649,797	9,902,003
Issued share capital	302,849,909	264,964,153
Reserves	2,963,760	10,990,615
Accumulated losses	(240,819,104)	(162,059,789)
Total Equity	64,994,565	113,894,979

As a result of completing the annual review of the parent entity's financial information, management have identified a number of insignificant corporate expenses and equity accounted investment entries recorded in the group consolidation but not posted in the previously reported parent entity numbers and as a result the comparatives have been restated.

G. OTHER DISCLOSURES

G.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:

	2021 $	2020 $
Short-term employee benefits	1,846,650	1,694,436
Post-employment benefits	149,424	131,195
Long-term benefits	62,507	59,010
Share-based payments[1]	(1,207,997)	(141,049)
Key management personnel disclosures	850,583	1,743,592

1 In FY20, a higher probability was applied to vesting conditions of Executive Chairman's options. Due to the impact of COVID-19, the probability of satisfying those conditions has been significantly reduced which has resulted in a negative balance.

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		Amounts owed by related parties	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
KMP of the group								
Professional services fee to BDO Australia Ltd	-	-	-	39,488	-	14,148	-	-
Joint venture in which the parent is a venturer:								
Capela Dairy Nutrition Co Pty Ltd	41,681	-	-	-	-	-	41,681	-
Bubs Brand Management Shanghai Co. Ltd	3,111,752	6,734,364	14,905	185,296	14,905	61,007	-	1,817,788
Total	**3,153,433**	**6,734,364**	**14,905**	**224,784**	**14,905**	**75,155**	**41,681**	**1,817,788**

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

G.2

SHARE BASED PAYMENTS

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

	2021 $	2020 $
Employee options issued to the current CEO	-	(1,349,046)
Employee options issued to the Executive Chairman	(1,207,998)	1,207,997
	(1,207,998)	**(141,049)**

The movements in the options are as follows:

	Options #
Balance at 1 July 2019	6,277,355
Options exercised during the year (Exercisable at $0.10)	(1,506,545)
Options granted to the Executive Chairman during the year (Exercisable at $0.10)	4,770,810
Balance at 30 June 2020	9,541,620
Options expired 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
Options granted to the KMP during the year (Exercisable at $0.65)	2,000,000
Balance at 30 June 2021	11,541,620

Options on issue at 30 June 2021 are as follows:

Options issued to the Executive Chairman in FY20:

- 2,385,405: vest 3 months after issue and on the achievement of $50m in gross revenue and $2m in normalised EBITDA as at the Company's full year results and expire on termination of employment.
- 2,385,405: vest 3 months after issue and on the achievement of $60m in gross revenue and $4m in normalised EBITDA as at the Company's full year results and expire on termination of employment.

The options issued in FY20 expire on 29 November 2022.

Options issued to the CEO in FY21:

- 2,385,405: vest 3 months after issue and on the achievement of $50m in gross revenue and $2m in normalised EBITDA as at the Company's full year results and expire on termination of employment.
- 2,385,405: vest 3 months after issue and on the achievement of $60m in gross revenue and $4m in normalised EBITDA as at the Company's full year results and expire on termination of employment.

The options issued in FY21 expire on 23 November 2023.

Options issued to the Employees in FY21:

- 1,000,000: vest 3 months after issue and on the achievement of $50m in gross revenue and $2m in normalised EBITDA as at the Company's full year results and expire on termination of employment.
- 1,000,000: vest 3 months after issue and on the achievement of $60m in gross revenue and $4m in normalised EBITDA as at the Company's full year results and expire on termination of employment.

The options issued in FY21 expire on 10 June 2024.

The fair value of the options granted was measured during the year using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

The details of the fair value of the options offered to Kristy Carr and other employees during the period is as follows:

	Employee options	Employee options	Employee options
Exercise price ($)	0.1	0.65	0.65
Share price at date of issue ($)	0.71	0.49	0.41
Grant date	23-Nov-20	14-Apr-21	27-Apr-21
Expected volatility (%)	60%	60%	60%
Expiry date	23-Dec-23	10-Jun-24	10-Jun-24
Expected dividends	Nil	Nil	Nil
Risk free interest rate	0.11%	0.11%	0.11%
Value per option ($)	$0.61	$0.1541	$0.1088
Number of options	2,385,405	1,600,000	400,000
Total value of options	$1,462,730	$246,560	$43,520

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.

G.3

AUDITORS REMUNERATION

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

	2021 $	2020 $
Audit services		
Audit or review of the financial statements – Deloitte	296,760	245,000
Non audit services		
Agreed upon procedures	-	-
	296,760	**245,000**

G.4

SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2021 that has significantly affected or could significantly affect the reported results from operations or financial position for the year then ended.

G.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 2021 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

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been reviewed. Management have sensitised the revenue, operating costs and cashflow impacts to take consideration of potential reduced trading activities caused by challenging macro dynamics. Under each scenario, mitigating actions are all within management control and can be initiated as they relate to discretionary spend, and do not impact the ability to meet demand. These actions include reduced administration and marketing costs and ceasing all non-essential and non-committed capex in the next 12 months. As at 30 June 2021, the Group balance sheet reflects a net current asset position of $41 million and net asset position of $87 million. The liquidity of the Group remains strong. In addition, we are in the process of renewing the NAB working capital facility of $10 million with the maturity date in September 2022 and are confident that the facility will be renewed. As at 30 June 2021, the undrawn balance remains at $8 million which is consistent with prior periods. In all scenarios modelled, our liquidity requirements are within the $10 million working capital facility and we will be able to repay the drawdown balance in full before the expiry date. On the basis of these reviews, the directors consider it is appropriate for the going concern basis to be adopted in preparing the financial statements.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

Several other amendments and interpretations were applied for the first time in the 2021 financial period, but do not have a material impact on the 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 2021.

The impact of these new or amended Accounting Standards to the Group's consolidated financial statements are not expected to be significant.

DIRECTOR'S DECLARATION

1. In the opinion of the directors of Bubs Australia Limited (the 'Company'):

a.) The consolidated financial statements and notes that are set out on pages 64 to 118 and the Remuneration report on pages 44 to 55 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

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

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer for the financial year ended 30 June 2021.

3. 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 31st day of August 2021

DENNIS LIN

EXECUTIVE CHAIRMAN

05

OTHER **INFORMATION**

OTHER **INFORMATION**

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

1. SHAREHOLDING AS AT 19 AUGUST 2021

A Distribution of shareholders

Range	Total holders	Units	% Units
1 - 10,000	22,712	71,912,855	11.74
10,001 - 20,000	3,058	45,860,678	7.48
20,001 - 30,000	1,227	31,283,853	5.11
30,001 - 40,000	638	23,131,494	3.77
40,001 - 50,000	457	21,356,702	3.49
50,001 Over	1,421	419,229,998	68.41
Total	29,493	612,229,998	100.00

B Unmarketable parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.4200 per unit	1,191	7,451	5,602,017

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	12.45
2.	CW RETAIL SERVICES PTY LTD	24,713,254	4.03
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,990,448	3.10
4.	CITICORP NOMINEES PTY LIMITED	18,376,480	3.00
5.	CARR FAMILY PTY LIMITED <CARR FAMILY A/C>	13,620,600	2.22
6.	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,511,022	1.88
7.	WROXBY PTY LTD	6,383,333	1.04
8.	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	5,153,333	0.84
9.	INFANT FOOD BUSINESS PTY LIMITED <INFANT FOOD BUSINESS A/C>	5,0000,000	0.82
10.	STABLE CHARTER LIMITED	4,615,385	0.75
11.	A Z GLOBAL CORPORATION PTY LTD	4,097,911	0.67
12.	MR BENJAMIN PAUL LANDON	4,000,270	0.65
13.	MS CATHERINE JANE TAYLOR	3,000,000	0.49
14.	MR RUPERT ROBIN SOAR	2,772,039	0.45
15.	NATIONAL NOMINEES LIMITED	2,492.162	0.41
16.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,433,022	0.40
17.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,326,111	0.38
18.	MR JUN HUA CHEN	2,000,000	0.33
19.	WAIRAHI INVESTMENTS LIMITED	2,000,000	0.33
20.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,861,345	0.30
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		211,635,225	34.54

2. CORPORATE DIRECTORY

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

B **Registered office**
23 Nina Link, Dandenong South, VIC 3175 Australia

C **Principal office**
2-4/6 Tilley Lane, Frenchs Forest, NSW, Australia, 2086

D **Registers of securities**
Computer Investor Services Pty Ltd

E **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

F **Unquoted securities**
Options over unissued shares
The Group has 11,541,620 options on issue.

CORPORATE **DIRECTORY**

DIRECTORS

Dennis Lin

Kristy-Lee Newland Carr

Matthew Reynolds (Retired on 21 July 2021)

Steve Lin

Katrina Rathie (Appointed on 21 July 2021)

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:
23 Nina Link
Dandenong South
VIC 3175 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited

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

AUDITORS

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne VIC 3000

AUSTRALIAN SECURITIES EXCHANGE

ASX Code: BUB

ASX: BUB
Bubs Australia

bubs®

INVESTOR RESOURCE CENTRE

www.investor.bubsaustralia.com