nuchev®
food for a better life

Food for a Better Life

Annual Report 2020

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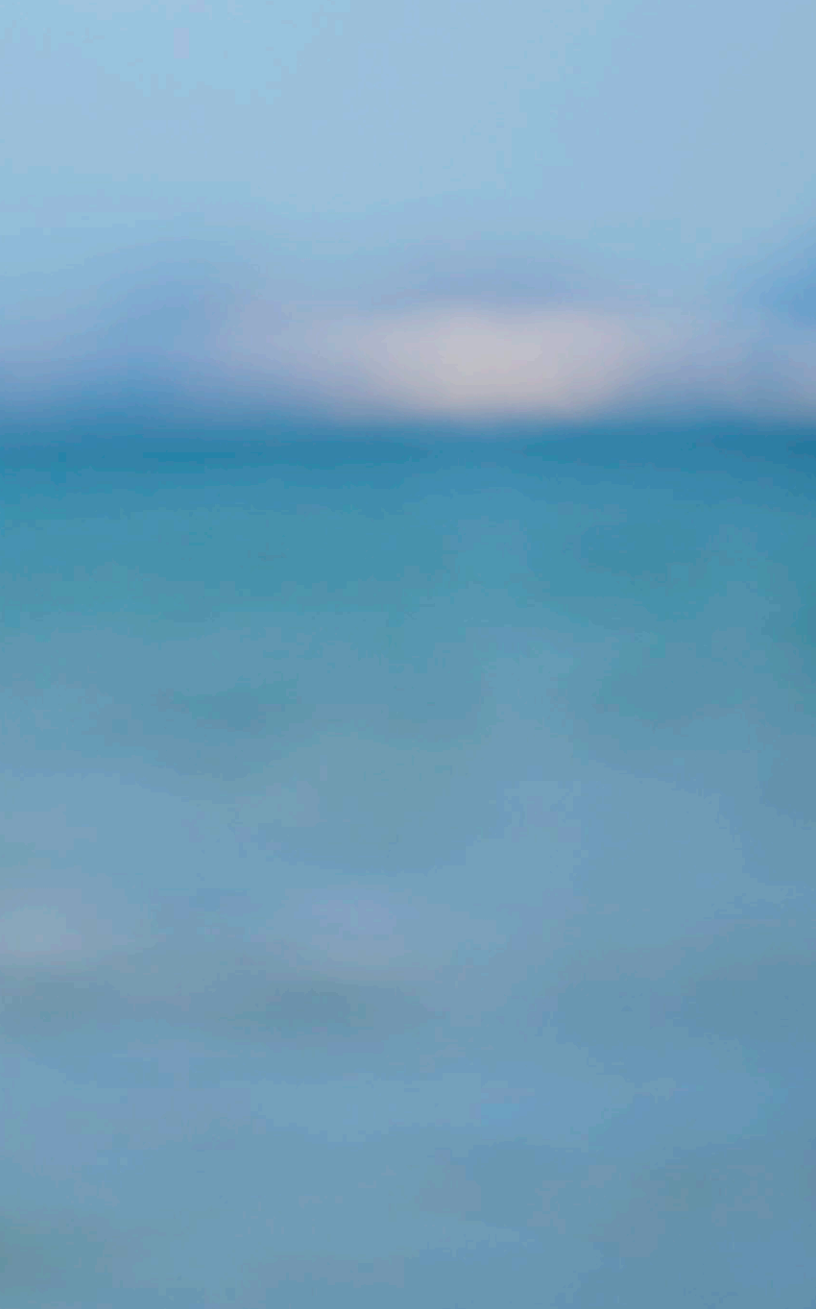


Nuchev is an Australian-based, globally-oriented food business with a dedicated focus on developing, marketing and selling a range of premium goat nutritional products.

Nuchev's primary products include its Oli6® branded goat infant formula and nutritional range, which are sold across multiple sales channels in Australia, China, New Zealand and the Hong Kong Special Administrative Region. Oli6® products are formulated with the benefits of goat milk, supported by ongoing scientific research. We operate a capital-light business model, leveraging leading raw goat ingredient suppliers and Australian-based manufacturers in an established, secure and scalable supply chain to deliver high quality products under a premium, trusted brand.

Performance Highlights

FY20 signified a remarkable year of achievement for Nuchev. The company successfully completed an Initial Public Offering and became listed on the Australian Securities Exchange.

$17.8M

Net Revenue
up 87%

$568MT

Volume Growth
up 108%

No. 1

Australian Goat Milk brand in the Australian pharmacy channel

34%

Gross Margin

$9.4M

Net cash position with no debt

Leading premium goat infant formula brand

on Tmall platforms

Chairman's Review

While uncertainty and challenges persist in the domestic and international trading environment, Nuchev's capital-light business model provides the agility to adapt and respond to such challenges, at the same time continuing to deliver sustainable growth.

Dear Shareholders,

I am delighted to present the first Annual Report for Nuchev Limited, signifying the organisation's progression to a public company listed on the Australian Securities Exchange (ASX), and reflecting a year of remarkable achievement and growth.

Across the world, FY20 was characterised by once-in-a-generation health, economic, political and social challenges presented by the COVID-19 global pandemic.

In spite of this, as an Australian-based, globally-oriented company, Nuchev delivered an impressive financial performance, reflecting exceptional momentum in its business strategy, centred on three core growth pillars:

- Brand positioning and awareness
- Product quality and nutritional development
- Multi-channel sales strategy and channel support

Strong sales growth continued across the period as Nuchev expanded distribution of its goat infant formula across key channels with strategic partners including Chemist Warehouse, Coles, our corporate Daigou and Cross Border E-Commerce (CBEC) channels such as Tmall, JD.com and VIP.

The company remained focused on building equity in its premium flagship Oli6® brand through strategic investment in brand and marketing activity, highlighting the research-backed, differentiated health and nutritional benefits that provide Nuchev products with a competitive advantage in the category. In line with the significant growth opportunity in China, targeted research and marketing focused on the Chinese end consumer was successfully undertaken during the year, helping drive brand awareness.

The completion of the company's Initial Public Offering (IPO) and successful ASX listing on 9 December 2019 represented an important milestone. The IPO raised a total of $48.7 million, including $25 million in new capital, demonstrating a strong appetite from a range of institutional and private wealth investors and positively positioning the company with additional financial flexibility to pursue growth opportunities.

The impacts of COVID-19 became more evident in the fourth quarter of the year, with consumer offtake in the Daigou channel particularly impacted due to less international students in Australia and flights to China, as well as unwinding of panic buying in the third quarter.

Nonetheless, sales momentum grew across traditional and social e-commerce platforms in China, in line with a consumer transition toward these channels.

Nuchev maintains a secure and scalable supply chain that combines world-class manufacturing partners with significant in-house experience and capability. I'm proud to report that a laser focus on safety and quality remained central to the company philosophy and supply chain.

While uncertainty and challenges persist in the domestic and international trading environment, Nuchev's capital light business model provides the agility to adapt and respond to such challenges, at the same time continuing to deliver sustainable growth.

As at 30 June 2020, the company maintained a robust and flexible balance sheet, reporting $9.4 million cash on hand with no debt.

Outside the reporting period, on 29 July, Nuchev announced a $15.2 million capital raise. Proceeds from the capital raise will be used to invest in key distribution channels and partnerships, in sales, marketing and brand positioning and to fund working capital requirements. This ensures Nuchev is well funded to continue to deliver on its strategy of profitable growth and brand development, and to benefit from inherent operating leverage in its capital-light business model as the business scales.

On behalf of the Board, I would like to extend our sincere thanks to the focused and highly capable team at Nuchev, led by Chief Executive Officer Ben Dingle, in delivering such a strong result during a year marked by unprecedented challenge.

Significant growth opportunities remain in the global goat infant formula category, and I, along with the Board, hold great confidence in Nuchev's continued success.

Thank-you for your ongoing support.

Justin Breheny,
Chairman

CEO's Report

Nuchev delivered an outstanding performance in the context of a global pandemic, demonstrating continued success of our premium Oli6® goat infant formula and nutritional products, along with enhanced geographic diversity.

Dear Shareholders,

As founder and CEO of Nuchev, I am incredibly proud of the FY20 results delivered by the team, along with our strategic partners, in a dynamic and rapidly changing business environment.

As the company remained focused on advancing all aspects of its strategy, a successful IPO and ASX listing in December 2019 was a significant step forward in growing the company's profile and providing additional financial flexibility to pursue future growth opportunities.

The business reported revenue growth of 98% to $17.8 million and volume growth of 108% to 568.1 MT, achieving 99% of the full year Prospectus forecast. This was an outstanding performance in the context of a global pandemic, demonstrating continued success of our premium Oli6® goat infant formula and nutritional products, along with enhanced geographic diversity.

Strong Strategic Partnerships

Our growth during FY20 was predominantly driven through strategic partnerships we have built over years in a number of key sales and distribution channels. This included the Cross Border E-Commerce (CBEC) and Export (corporate Daigou) channels to meet strong demand from Chinese consumers for premium goat infant formula products. To strengthen these efforts, in August 2019 we signed an exclusive distribution agreement with a new strategic partner for Australian sales of Oli6® to a range of complex Daigou networks. Growth was also delivered through continued momentum in Australian retail, with strong baseline sales in Coles and growth of Oli6® outperforming the goat infant formula category in the Australian pharmacy channel.

During the year, the team broke new ground across our domestic and grocery distribution channels, gaining listing of our Oli6® brand in Chemist Warehouse New Zealand, and adding the Oli6® stage 4 product to our range in Coles, further strengthening and diversifying our portfolio.

Interest and growth in the global goat infant formula category continued, particularly amongst consumers in China. Recognising this significant and growing opportunity, the team remained focused on research, brand building and marketing activity to drive awareness of the Oli6® brand amongst Chinese mums through targeted activity including local influencer and social media campaigns. Our presence grew across a number of major e-commerce platforms, with particular highlights including the rapid, sustained growth of the company's Tmall flagship store, and strong performance on 'China Singles Day' in November, a key selling period and the largest online shopping day in the world. Such success is evidence of the strong credibility and appeal of the premium Oli6® brand amongst distribution channel partners and consumers, underpinned by differentiated health benefits and backed by science.

We remain confident that our application to the State Administration of Markets Regulation (SAMR) to sell Chinese specification Oli6® product in the offline channel, will lead to a positive outcome, while acknowledging that the timing of an outcome remains uncertain.

Resilient, flexible business model

After reporting record revenue and volumes in the first half of the year, the COVID-19 global pandemic presented some headwinds, as was the case for many industries. A spike in sales in the third quarter due to panic buying led to lower than expected inventory levels, however, other than some minor logistical challenges, we were well placed with adequate inventory to meet demand. Subsequently in the fourth quarter, demand across Australian-based channels softened, and the Daigou channel was restricted, in part due to less international students in Australia and reduced flights to China. Encouragingly, as we saw accelerated channel re-balancing, our sales momentum grew strongly in the traditional and social e-commerce platforms in China.

Advantageous to our performance was the maintenance of a capital-light business model, and a secure and scalable supply chain, where we leverage leading raw goat ingredient suppliers and Australian-based manufacturers to deliver consistently high quality products. We are pleased to confirm that despite some minor logistical challenges, relationships with our strategic supply partners remained strong and our supply chain was not materially impacted by COVID-19. Our commitment to safety and quality throughout the supply chain was unwavering, from ingredient sourcing to manufacturing, distribution and support.

	FY19 Actual	FY20 Actual	% change	FY20 Prospectus forecast
Volume (MT)[1]	273.2	568.1	108%	573.2
Revenue ($M)[1]	9.0	17.8	98%	$18.0
ASP/MT ($'000)[2]	33.4	31.4	(6%)	31.3
Gross Margin%[3]	42%	34%	(8%)	38%
Marketing % of Revenue	38%	37%	1%	30%
CAPEX % of Revenue	–	–	–	–

1. Revenue/volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales and excludes goat milk sales.
2. Average selling price per MT represents the total revenue of Australia-specification GIF and Goat Milk Powder sold divided by the total volume of Australia-specification GIF and Goat Milk Powder sold.
3. Gross Margin is calculated as core revenue, less costs of sales divided by core revenue, expressed as a percentage.

As part of our strategy to expand our geographical footprint, in addition to Australia, China and Hong Kong SAR, Oli6® was registered for sale in Vietnam, with initial sales completed at the end of the fourth quarter. We acknowledge that travel restrictions are likely to impact the speed with which we can develop further new markets.

In April we bolstered our strong leadership team with the appointment of Chantelle Pritchard to the role of Chief Financial Officer and Company Secretary, adding a great depth of experience and capability to our business. As part of this transition, Darryl Lasnitzki stepped down as Company Secretary.

Outlook

Despite a challenging trade environment particularly in the second half of the year, we remain excited by the significant market growth opportunity in goat infant formula. The global category is forecast to grow at an estimated CAGR of 16.6% from $6.3 billion in 2018 to $13.6 billion in 2023[1], led by the rapidly expanding China market.

In FY21, Nuchev expects material revenue and volume growth, particularly in CBEC channels, albeit at a moderate rate relative to FY20 growth. We head into the new financial year having successfully completed a $15.2 million capital raise, ensuring the company is in a position of strength to pursue growth opportunities.

A degree of uncertainty prevails in the trading environment, as the macro-economic impact of COVID-19 continues. Nonetheless, the team will continue on our journey of driving growth and establishing Oli6® as the 'most trusted' goat infant formula brand, while taking a cautious and conservative approach in the current environment.

On behalf of the Nuchev team, I would like to sincerely thank you for your ongoing support and interest in our company.

Yours faithfully,

Ben Dingle,
Managing Director and Chief Executive Officer

1 Frost & Sullivan, *The Infant Formula Market*, October 2019.

Our Business

Overview

Nuchev is an Australian-based, globally-oriented food business with a dedicated focus on developing, marketing and selling a range of premium goat nutritional products. We produce and sell goat infant formula (GIF) and Goat Milk Powder under the Oli6® brand across multiple sales channels in Australia, China and Hong Kong SAR[1], and well as becoming recently registered for sale in Vietnam.

The majority of Nuchev's revenue is generated by the sale of GIF products. The GIF market is forecast to grow rapidly, largely due to increasing awareness of the potential health benefits associated with GIF, supported by scientific research. As such, Nuchev is well-placed to seize a strong market-leading position in the rapidly growing and significant GIF market.

Business Model and Strategy

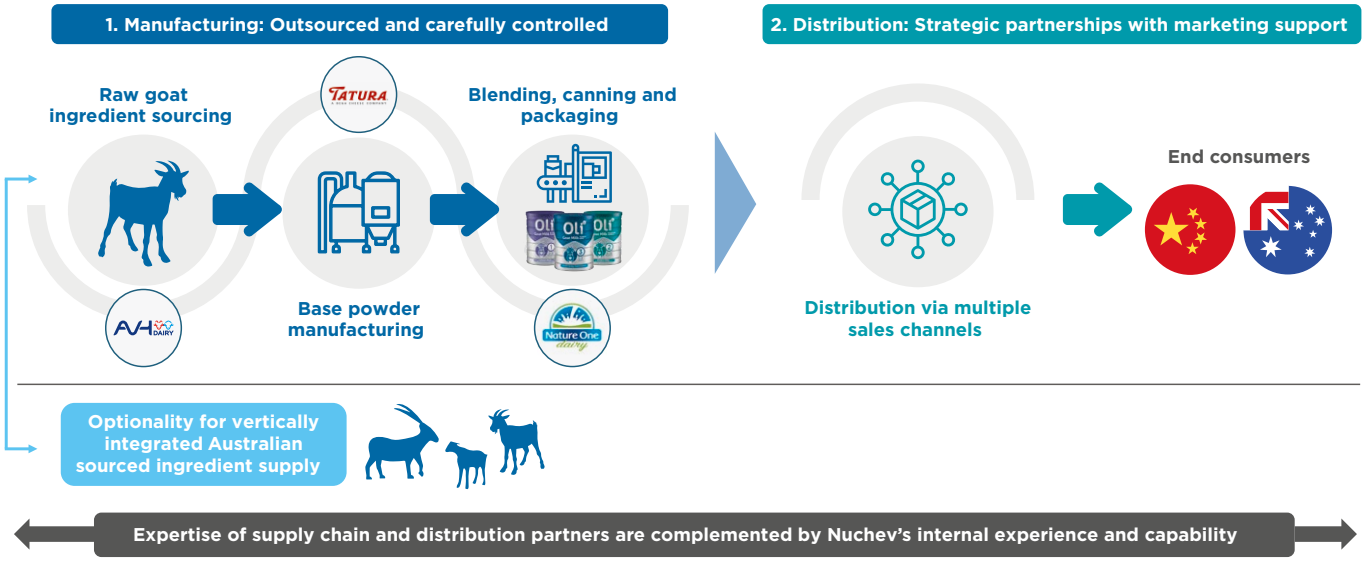
Nuchev operates a capital-light business model built on contractual relationships with strategic raw goat ingredient supply and manufacturing partners. Our supply chain partners have all necessary certifications and expertise for producing goat nutritional products for consumption in our key markets. The business has developed and owns all of its proprietary product specifications and processes, and has control over the chemical and microbiological specifications of its products across the supply chain.

Operating a cost-efficient business model allows us to focus on investing in premium brand positioning for Oli6® and developing a sustainable, multi-channel distribution strategy with high quality channel partners. These investments are the foundation of Nuchev's framework for growth and are supported by our commitment to providing end consumers with the highest quality, 'most trusted' and scientifically supported goat nutritional products.

Nuchev's business strategy is focused on increasing sales volumes across multiple distribution channels by establishing Oli6® as the 'most trusted' GIF brand in key markets including Australia, China and Hong Kong SAR[1].

1 Special Administrative Region.

Nuchev's business model[1]



1 AVH Dairy, Tatura Milk Industries and Nature One Dairy have not authorised or caused the issue of this Annual Report, nor have they made any statement in this Annual Report. Accordingly, AVH Dairy, Tatura Milk Industries and Nature One Dairy make no representation regarding, and take no responsibility for, any statement or material in, or omission from, this Annual Report.

Business Strategy – 3 key pillars

Brand positioning & awareness

- Invest in building brand equity amongst channel partners and end consumers
- Key brand factors:
  - Product safety and quality;
  - International brand backed by deep history;
  - Super premium, differentiated health and nutritional benefits backed by science
  - Positioned as experts in the GIF category

Product quality and nutritional development

- Laser focus on quality of product, through ingredient sourcing, manufacturing, distribution and support
- Dedicated to continual nutritional development of goat milk based products
- Differentiated health benefits and quality of Nuchev's GIF and goat nutritional products as a key competitive advantage
- Nutritional development founded upon product innovation supported by scientific research

Multi-channel sales strategy and channel support

- Leveraging existing distributor relationships to drive sales
- Increased penetration of the CBEC channel
- Expansion into other international markets
- Rapid growth of China-specification product sales based on contracts in place, subject to SAMR brand registration

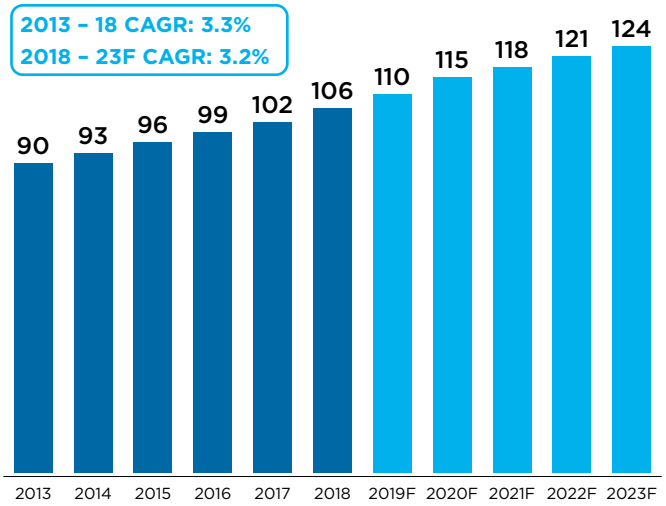
Our Business

Industry Overview – Exciting Opportunities in Goat Infant Formula

The infant formula (IF) market includes formula products for infants and young children made from cow milk, goat milk and other alternative ingredient sources, such as soy, organic, lactose free and other milk types. GIF is one of the fastest growing categories in the IF market, with the global GIF market expected to grow at a CAGR[2] of 16.6% from $6.3 billion in 2018 to $13.6 billion in 2023[3], presenting an exciting, large scale market opportunity for GIF producers. GIF products are typically considered premium IF products, with China representing the largest market for both IF and GIF products globally.

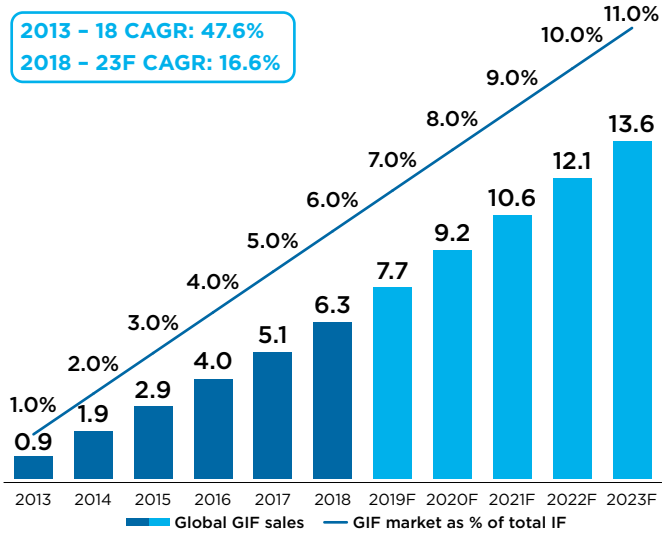
Goat milk products are becoming increasingly popular for their nutritional and health benefits to end consumers (including that they may aid digestion and enhance immunity). In addition, GIF contains a significant and diverse array of naturally occurring prebiotic oligosaccharides, including some that are also found in human breast milk. The potential health benefits of oligosaccharides, which are contained in Oli6® GIF, are supported by collaborative scientific laboratory research conducted by researchers at RMIT University and the University of Melbourne. Increased awareness of these differentiated health benefits relative to other IF products is expected to drive continued demand growth in GIF and other goat nutritional products in the future. There are also relatively few direct competitors compared to the cow milk based IF market. We continue to work with our University partners on researching the health benefits of GIF based products.

Global IF sales (2013 – 2023F, $ billion)[1]



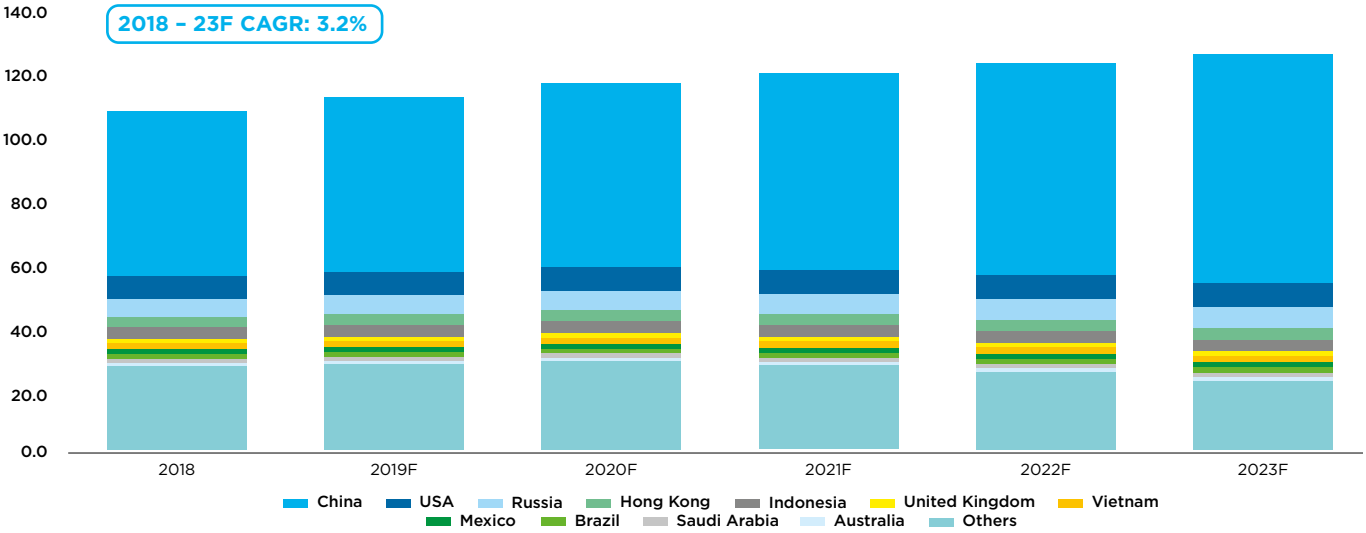
1 Market sizing is based on the value of retail sales to the end consumer of IF products. Frost & Sullivan, *The Infant Formula Market*, October 2019.

Global GIF sales and GIF market share of global IF market (2013 – 2023, $ billion, percentage)[1]



1 Frost & Sullivan, *The Infant Formula Market*, October 2019.

Global IF sales by country (2018 – 2023F, $ billion)



2 Compound Annual Growth Rate.
3 Frost & Sullivan, *The Infant Formula Market*, October 2019.

Australian IF and GIF market

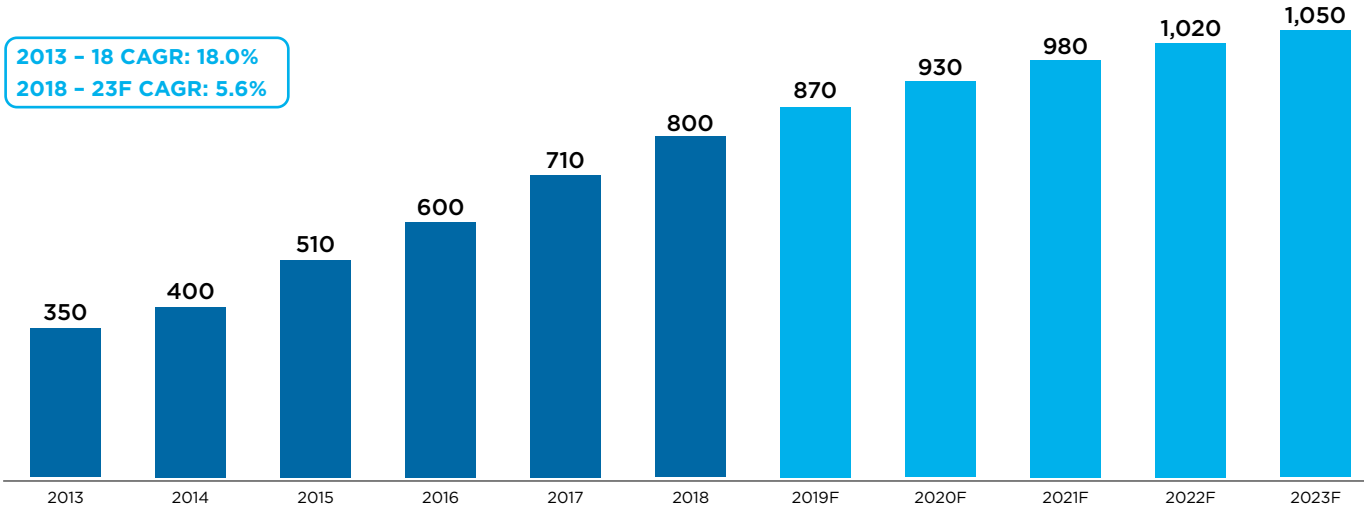
The Australian IF market consists of IF product sales made in Australia. A significant portion of IF products sold in Australia are believed to be ultimately purchased by Chinese end consumers. The Australian IF market comprises:

1. Australian end consumers purchasing products for domestic Australian consumption; and
2. Parties purchasing products in Australia for consumption by Chinese end consumers through the Daigou trade and the Cross Border E-Commerce (CBEC) channel.

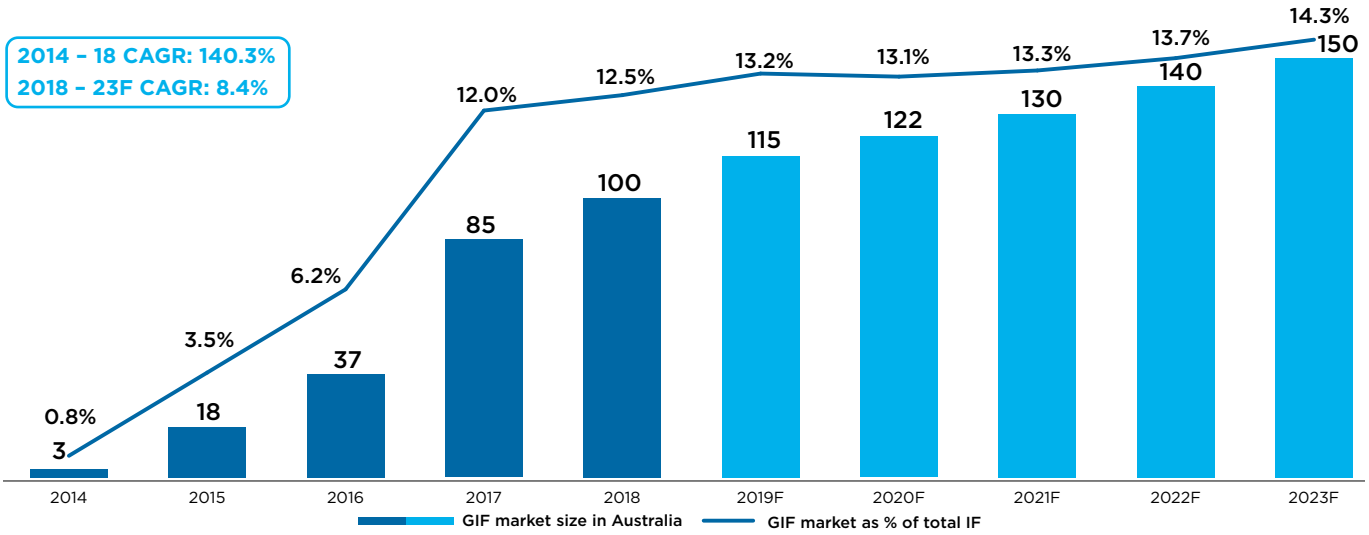
Australian IF sales are expected to grow at a CAGR of 5.6% from $0.8 billion in 2018 to $1.1 billion in 2023[4].

The Australian GIF market is a subset of the Australian IF market. Sales by Australian GIF producers have rapidly grown since 2014 and the market is expected to grow at a faster rate than the Australian IF market, in line with trends in the global IF and GIF markets. It is expected that the market will reach $150 million and will represent approximately 14.3% of the total Australian IF market in 2023[5].

Australian IF market size by sales (2013 – 2023F, $ million)



Australian GIF market size by sales (2013 – 2023F, $ million, percentage)



4 Given a significant percentage of IF products sold in Australia are ultimately consumed by Chinese end consumers, it is likely that some of the sales captured when estimating the size of the Australian IF market are also captured as sales when estimating the size of the Chinese IF market. The same observation applies in relation to estimating the size of the GIF market. Frost & Sullivan, *The Infant Formula Market*, October 2019.

5 Frost & Sullivan, *The Infant Formula Market*, October 2019.

Our Business

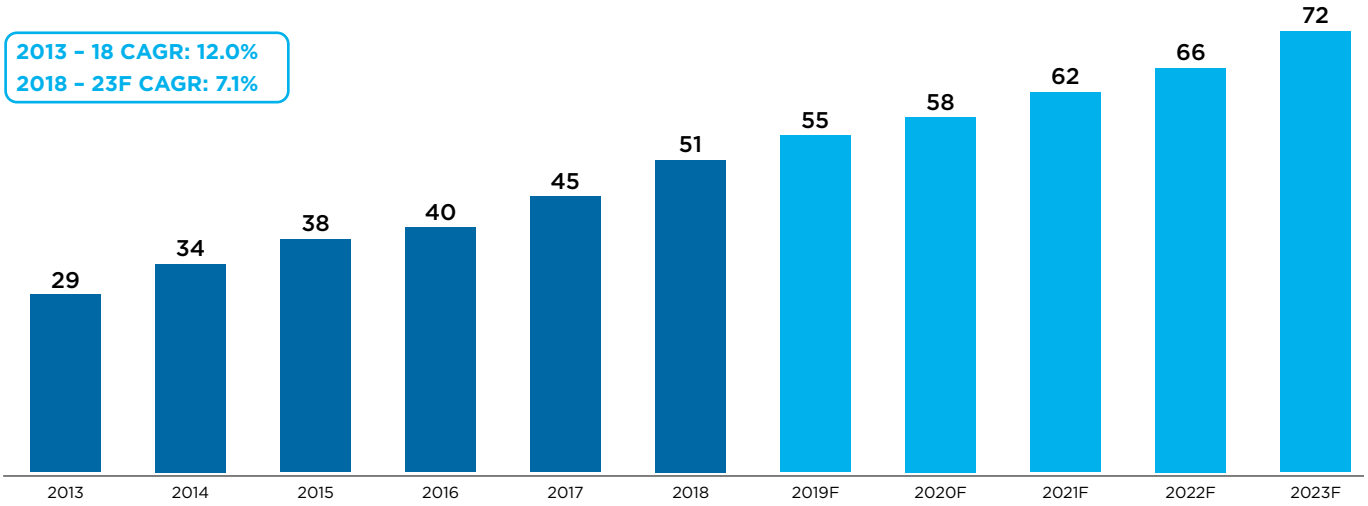
Chinese IF and GIF market

Chinese demand is the key driver of the global IF and GIF markets, expected to account for approximately 58% of global IF demand and approximately 68% of global GIF demand by 2023[6].

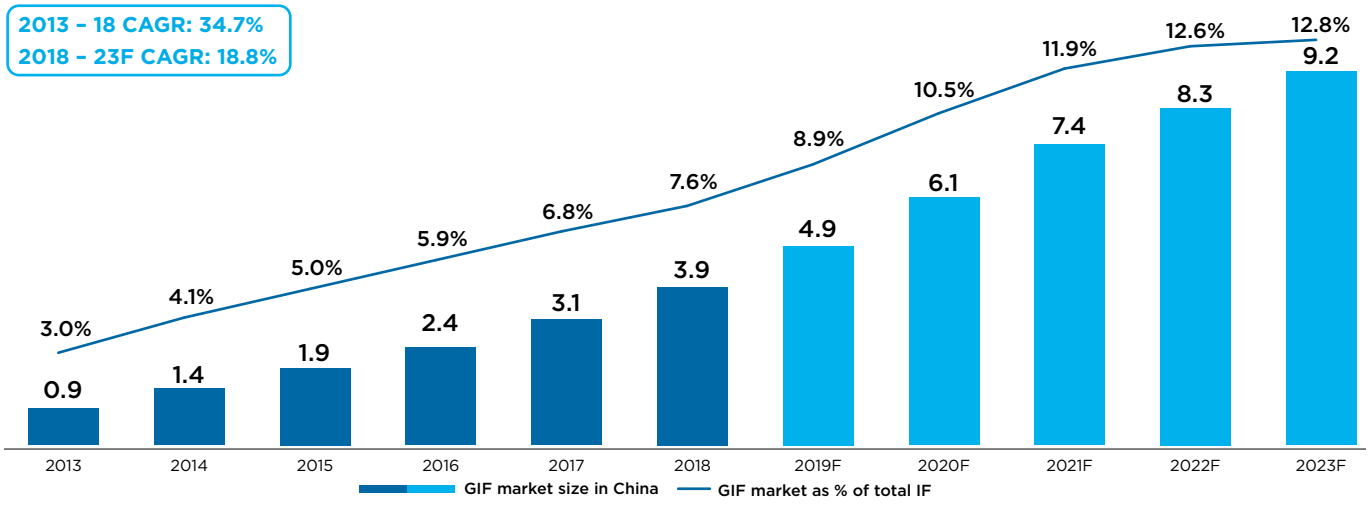
The Chinese IF market consists of IF product sales made in China. It is the largest IF market in the world with an estimated value of $51.0 billion in 2018[6], and one of the fastest growing globally, expected to grow at a CAGR of 7.1% to reach approximately $72.0 billion in 2023[6].

The Chinese GIF market is a rapidly growing subset of the Chinese IF market, and is the largest GIF market in the world by sales, with an estimated value of $3.9 billion in 2018[6]. It estimated to have grown at a CAGR of 34.7% between 2013 and 2018 due to increased awareness of the perceived health benefits and growing consumer uptake of GIF products[6].

Historical and forecast growth of the Chinese IF market by sales (2013 – 2023F, $ billion)



GIF market size in China by sales (2013 – 2023F, $ billion, percentage)



Forecasts indicate the Chinese GIF market will grow at a CAGR of 18.8% from 2018 to 2023, reaching $9.2 billion and representing 12.8% of the total Chinese IF market.[6] Despite some logistical and supply chain changes and channel shifts due to COVID-19, end consumer demand has not faltered and is anticipated to remain strong. Chinese demand for foreign (non-Chinese) IF and GIF products is driven by a number of key factors, including:

1. Growing recognition of the potential health benefits of GIF products;
2. Preference for foreign (non-Chinese) IF brands;
3. Increasing socioeconomic development and income levels;
4. Premiumisation of demand, which supports premium categories such as GIF; and
5. Improved appetite for and access to products (particularly foreign brands) via the CBEC channel.

6 Frost & Sullivan, *The Infant Formula Market*, October 2019.

Our Business

Nuchev's Premium Product Portfolio

Nuchev's primary product offering is its Oli6® branded GIF range. The company also sells Goat Milk Powder, which is targeted at adult end consumers.

The Oli6® GIF range features various product formulations for the different stages of a child's life. As the nutritional requirements of a child change significantly in the early periods of their life, the various Oli6® formulations are designed to address the specific nutritional requirements at each of these development 'stages' and to comply with relevant regulations on nutritional composition.

Nuchev has also developed 'Australia-specification' and 'China-specification' variations of its GIF products, with varying product formulations across the two specification types to cater to consumer preferences and regulatory requirements. Via its blending, canning and packaging partner, Nature One Dairy, Nuchev has applied for the requisite State Administration for Market Regulation (SAMR) brand registration to enable sales of its China-specification products in offline channels in China.

Oli6® formula range

Child's development

Stage 1 formula
(0-6 months)

Designed as a breast milk substitute for babies aged between 0 and 6 months

Stage 2 formula
(6-12 months)

Specifically formulated for the nutritional needs of formula fed babies aged 6 to 12 months

Stage 3 formula
(1-3 years)

Designed as a dairy goat toddler milk drink for children aged 1 to 3 years

Stage 4 formula
(3-7 years)

Designed as a natural progression from Stage 3 formula for children aged 3 to 7 years

Australia and China product specification – labelling and branding differences

Australia-specification

China-specification

Marketing, Brand and Multi-Channel Sales Strategy

Crucial to achieving sustained growth is the company's marketing and brand strategy, which is centred on maintaining a premium, trusted brand, highlighting points of difference to drive brand awareness and equity amongst distribution channel partners and consumers.

Nuchev continued to invest strongly in marketing in FY20 to optimally position the flagship Oli6® brand, while educating consumers on the benefits of Oli6®, with a particular focus on China.

The compelling Oli6® brand story sets it apart from competitive offerings, and reflects a number of factors central to achieving success in the category, with a particular focus on Chinese end consumers:

- International brand;
- Product safety and quality;
- Premium products that have differentiated health and nutritional benefits; and
- Positioned as experts in the GIF category.

Nuchev leverages this premium brand position, reputation for product quality and success in the Australian GIF market to secure sustainable, multi-channel distribution arrangements that are beneficial to its channel partners thanks to consumer demand for Oli6® products and higher pricing margins in the premium product category.

Nuchev and Royal Melbourne Institute of Technology (RMIT) have been working together since 2015 to research the benefits of goat milk.

RMIT is a leading Australian University with research capabilities to understand and scientifically prove the benefits of goat milk.

They have undertaken an independent three-year research study which is based on Oli6® formula and the natural prebiotic oligosaccharides found within Oli6® goat milk.

Oligosaccharides (oligos for short), a non digestible food for the good bacteria in your tummy, are found in high quantities in Oli6® and aid gut health, immunity and digestion.

This ground-breaking study was published in the British Journal of Nutrition, a leading international peer reviewed journal.

Nuchev's marketing strategy involves four key pillars: building exposure and awareness; supporting awareness with credibility; facilitating opportunities for product evaluation; and building brand loyalty to drive repeat purchase.

Nuchev's marketing and brand strategy

Build exposure and awareness
- Brand awareness through education, training and key end consumer engagement strategies
- Peer-to-peer significant for Chinese end consumers

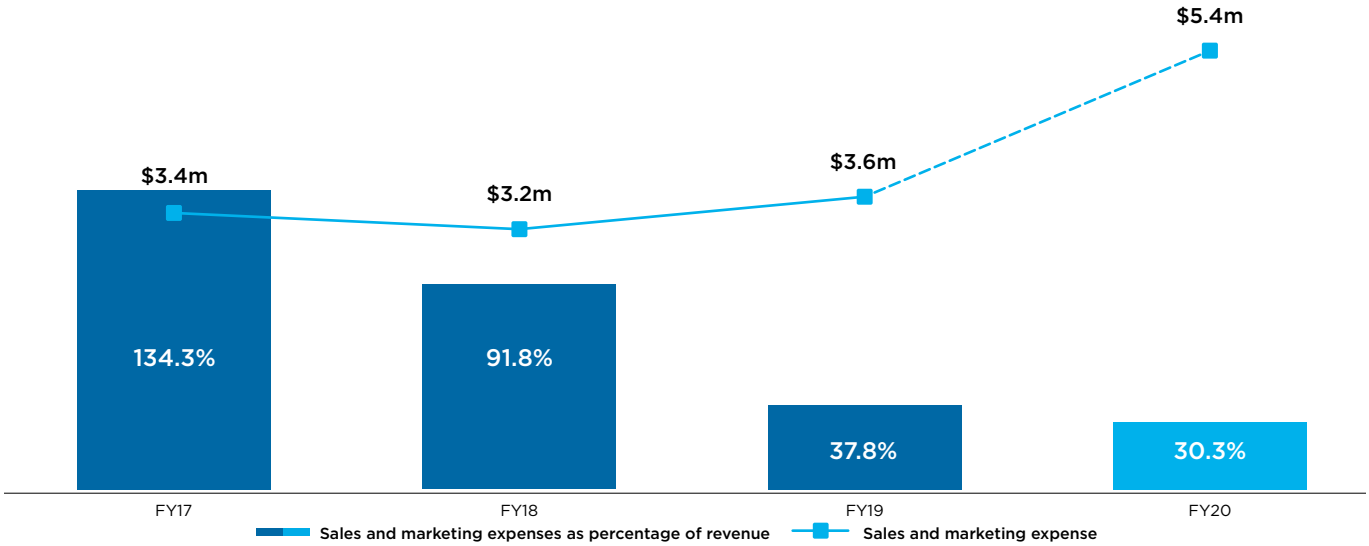
Support awareness with credibility
- Increased awareness, supported by a good product
- RMIT University researchers' collaborative scientific laboratory research adds credibility to health claims
- In store training and online education on health benefits

Opportunity for product evaluation
- Smaller retail sales pack provides a price competitive opportunity for consumer choice
- Smaller retail sales pack allows Oli6® to be evaluated to determine consumer preference

Build brand loyalty and repeat purchasers
- Develop owned-communities to encourage product and parenting discussion
- Supports peer-to-peer engagement

Marketing, Brand and Multi-Channel Sales Strategy

Sales and marketing expenditure – absolute spend and spend as a % of revenue



The company's investment in marketing activities is expected to increase as it seeks to grow market share in the global GIF market. At the same time, given the expected rapid growth in sales volume and revenue by Nuchev, the increase in marketing spend is forecast to grow at a slower rate than that of revenue, resulting in operational and scale efficiencies. The team remains focused on maximising return on marketing and brand investment.

Recognising the importance of the China market, in FY20, Nuchev worked with its China-based research and e-commerce partners in conducting market research and sales data analysis to gain insights into the Chinese end consumer. Of note is a generational shift occurring in China though a burgeoning millennial middle class consumer, with many new parents digital natives, having grown up accustomed to online technology and using digital sales channels. Increased interaction with online channels amongst this group has led to opportunities for brand exposure through local celebrities, Key Opinion Leaders (KOLs), Key Opinion Customers (KOCs) and social media influencers to build awareness and credibility for products across social e-commerce platforms such as Little Red Book, Weibo and WeChat groups, which help inform purchase decisions. KOL endorsement is also leveraged through PR, sampling and other social media activity.

The Nuchev team used these and other insights to develop targeted marketing and brand building activity in China through activations including social media, PR, KOL, KOC, sampling and online influencer campaigns, aligning with key promotional periods.

This focus helped deliver increased brand awareness of Oli6® in FY20, with the brand performing strongly on a number of well-known e-commerce platforms including Tmall, JD.Com and VIP as well as fast-growing social e-commerce platforms. The sustained, rapid growth of the company's Tmall flagship store underpins the growing awareness and credibility of the Oli6® brand in China, further evidenced by Oli6®'s strong performance during key promotional events including the "618" mid-year promotion in June and "Singles Day" promotion in November.

Nuchev's growth has been driven in the face of the infant formula (IF) category continuing to adjust to evolving distribution channels, particularly in response to the Cross Border E-Commerce (CBEC) regulatory changes introduced in 2019.

In Australia, Nuchev continued to focus on growing awareness of the Oli6® brand through social media activity engaging KOLs, and earning strong peer reviews, referrals and trial amongst its loyal Australian consumer base.

As a further expansion the Oli6® product portfolio, a 400gm full cream milk powder was launched for sale in Australia and China.

Multi-channel sales strategy

Nuchev has developed a carefully managed multi-channel sales strategy for the distribution of its products to end consumers. This strategy ensures the company not only maintains its premium, trusted brand position and effectively services its end consumers, but is well placed to capitalise on opportunities to further develop sales volumes. The company's target end shoppers are mothers – and primarily Chinese mothers, who use multiple channels to purchase IF products depending on their location, income, education and other preferences.

Nuchev's key sales channels are:

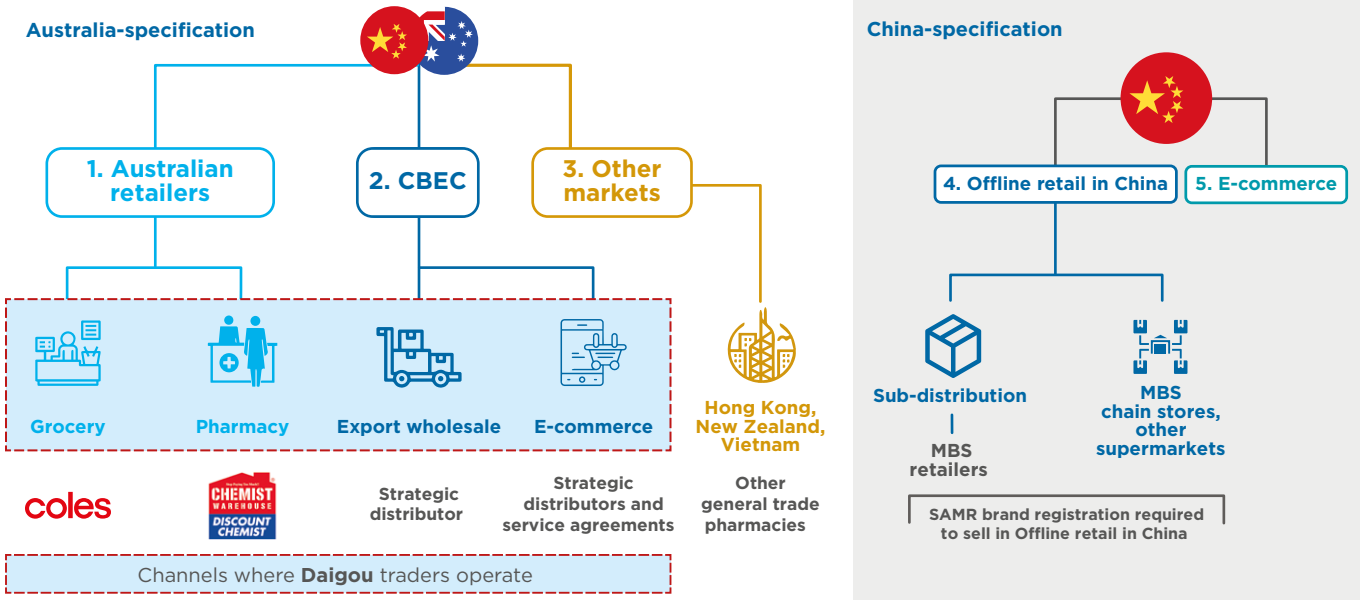
- **Australian retail:** Sales made to Australian end consumers (directly) and Chinese end consumers (via the Daigou trade) through Australian retailers in the pharmacy and grocery sub-channels. Key strategic partners in these channels are Chemist Warehouse and Coles.
- **Cross Border E-Commerce:** Sales from Australia to Chinese end consumers via:
  - Australian export wholesalers: sales made indirectly to Chinese end consumers via Nuchev's large-scale export distribution partner
  - e-commerce platforms: sales made to Chinese end consumers via e-commerce platforms, such as Tmall and JD.com.
- **Hong Kong SAR[1]:** Sales made under a distribution partnership to Hong Kong SAR end consumers and mainland Chinese tourist end consumers in Hong Kong SAR through general trade pharmacy retailers in Hong Kong SAR.

Nuchev's Australia-specification products are sold across these key channels and do not require SAMR brand registration. The Oli6® brand performed particularly strongly in the Cross Border E-Commerce channel during FY20, with this channel continuing to represent a significant market opportunity for Nuchev.

Key elements of Nuchev's multi-channel sales strategy include:

- **Leveraging existing distributor relationships to drive sales:** Nuchev has selected key channel partners who have strong sales and marketing networks that are well suited to Oli6®'s premium product offering in the fast-growing GIF sector. Working collaboratively with its distribution partners, Nuchev believes there are significant growth opportunities across these distribution channels to capitalise on in the near term, particularly in the CBEC channel.
- **Expansion into other international markets:** Nuchev plans to take a selective approach to international market expansion to increase sales volume. The team acknowledges that ability to expand into further markets will be impacted by travel restrictions and trade challenges imposed by COVID-19. The company will retain a strong focus on its current markets of Australia, China, Hong Kong SAR and recently registered Vietnam.
- **Commencing China-specification sales, post State Administration for Market Regulation (SAMR) brand registration:** If Nuchev is successful in receiving SAMR brand registration, it intends to commence sales of its China-specification products via offline channels in China. This would be expected to result in a substantial increase in Nuchev's sales volumes, however the company acknowledges that in the current trading environment, timing for when registration might be achieved remains uncertain.

Nuchev's sales channels for GIF products



1 Special Administrative Region.

Marketing, Brand and Multi-Channel Sales Strategy

With an ongoing focus on ensuring the optimal mix of channel partners to drive profitable growth, Nuchev signed an exclusive distribution agreement in August 2019 with a strategic partner for Australian sales of Oli6® via complex Daigou networks, including gift shops and pack and send outlets, China offline to online opportunities, bonded warehouses and select CBEC platforms.

Across the year, Nuchev continued strong sales momentum of its goat infant formula products through key channels together with key strategic partners including Chemist Warehouse, Coles and Nuchev's corporate Daigou, which drove record sales in H2 in spite of challenges presented by the COVID-19 global pandemic. Underperformance from one of our cross border distributors has led to this arrangement being replaced by an upgraded distribution arrangement with a new partner, with transition planned for Q1 FY21.

In particular, Nuchev achieved substantial sales growth in the CBEC channel, and remains committed to driving growth in this channel, with GIF sales expected to account for 37% of the total GIF market in China in 2023[2], equating to a $3.4 billion market opportunity. Other milestones against our sales and channel strategy in FY20 include achieving listing in Chemist Warehouse stores across New Zealand, as well as adding Oli6® Stage 4 (for children aged 3-7 years) to our product range in Coles. Pleasingly, we saw strong baseline sales growth of Oli6® in Coles, with the product available in more than 250 stores across Australia.

Overall growth of Oli6® outperformed the GIF category in the Australian pharmacy channel as well as three key Alibaba online platforms, Tmall, Tmall Global and Taobao. Sales in Australian pharmacies, particularly well-known retailers such as Chemist Warehouse are a key factor in building product and brand credibility, trust and acceptance amongst Chinese end consumers.

Leading
Australian goat milk brand
on Alibaba platforms including Tmall, Tmall Global and Taobao

Maintaining No.1
Australian Goat Milk Brand
in pharmacy channel in Australia

Listing in
Chemist Warehouse
New Zealand

Oli6® sold in more than
1,000 pharmacies
across Australia, increasing share from 15% to 18% post COVID-19 outbreak

Oli6® sold in more than
250 Coles
grocery stores across Australia. Incremental ranging of Stage 4 in Coles in June 2020, doubling in total monthly sales in the last year[3]

Partnership with
leading celebrities
and KOL influencers including Tier 1 Celebrity Lu Yi and leading parenting KOL Xiaoxiao Bao to increase brand exposure and brand familiarity

2 Frost & Sullivan, *The Infant Formula Market*, October 2019.
3 June 2019 to June 2020 – 96.3% total sales growth, Coles Supplier Data.

World-Class Supply Chain

Nuchev retains an unwavering dedication to quality, demonstrated through the operation of its supply chain during FY20. The company has invested in developing a secure and scalable supply chain with industry-leading partners that is cost-efficient, flexible and offers a number of key competitive advantages:

- **Quality goat ingredients:** the goat milk solids ingredients in Nuchev's goat infant formula (GIF) products are almost exclusively sourced from the Netherlands, considered to be a global industry leader in goat milk production. The Dutch goat milk industry is perceived positively by Chinese and other end consumers as a reliable source of goat milk. The Dutch goat milk industry is subject to stringent and enforceable animal welfare, environmental and food safety regulations.
- **Flexibility:** the goat ingredients used in Nuchev's GIF products are imported in powder form and have long shelf-life. Importing milk solids in powdered form provides production flexibility, is ideally suited to meeting rapidly growing demand and utilises an established, industry-standard production process. Nuchev currently considers its existing imported goat ingredient supply arrangements to be more cost competitive, lower risk and better suited to meet rapid demand growth than utilising its goat herd.
- **Goat ingredient quality control minimises risk:** Nuchev has agreed specifications on all ingredients, including Goat Full Cream Milk Powder (GFCMP) and Goat Whey Protein Concentrate (GWPC) it receives from its Dutch suppliers. Certificates of analysis (CoA) for these ingredients are vetted against the specifications, prior to delivery to Nuchev. This enables Nuchev to reject any ingredients that do not meet the required standards, before they are despatched. Our products undergo extensive quality and safety checks throughout the manufacturing process, from raw materials to finished product. We operate with the belief that quality is manufactured and as such, Nuchev maintains a dedicated commitment to product safety and quality.
- **Cost competitive:** Nuchev calculates that the current cost of importing goat ingredients remains lower than the cost of equivalent ingredients sourced and processed in Australia.
- **Capital-light:** Nuchev's business model is capital-light, allowing Nuchev to focus on investing in its premium brand positioning and developing its multi-channel distribution partnerships.
- **Excess capacity throughout the supply chain:** Nuchev's supply chain can scale production very quickly to meet significantly increased volume demand. Nuchev's supply chain partners have excess capacity available, which is further complemented by supplemental ingredient and processing alternatives available to Nuchev.

The manufacture of Oli6® GIF products involves two distinct stages:

- Base powder manufacturing
- Blending, canning and packaging

World-Class Supply Chain

Diagram of production of Nuchev's GIF

Raw goat ingredient sourcing

- Goat full cream milk powder (GFCMP)
- Goat whey protein concentrate (GWPC)

Base powder manufacturing

- GFCMP
- GWPC
- ↓
- + Water
- *Reconstituted to liquid* ↓
- + Lactose, oils, vitamins and minerals
- *Drying* ↓
- Base powder

Blending, canning and packaging

- Base powder
- + Heat sensitive micro ingredients
- *Blending* ↓
- Cans, scoops, lids and packaging – Oli6®

Base powder manufacturing

At the first stage of the manufacturing process, GFCMP and GWPC (goat ingredients) are reconstituted (restored to liquid form) with water and combined with additional ingredients such as lactose, oils, vitamins and minerals. This liquid mixture is pasteurised and homogenised, then spray dried to create GIF base powder. This stage of the manufacturing process occurs at Tatura Milk Industries' (a subsidiary of Bega Cheese) processing plant in Tatura, Victoria, Australia. Nuchev staff are generally involved with Nuchev's scheduled production at Tatura Milk Industries to ensure all aspects of the production process are aligned with Nuchev's expectations. The testing and quality control process of Nuchev's base powder manufacturing is supported by both Tatura Milk Industries' extensive IF and GIF production experience as well as Nuchev's own expertise and capability.

Tatura Milk Industries is primarily engaged to produce Nuchev's base powder pursuant to an agreement between the parties for an initial term of three years that commenced in 2019. The agreement can be extended for a further two years by mutual agreement of the parties.

Blending, canning and packaging

Blending, canning and packaging of Nuchev's GIF products primarily occurs at Nature One Dairy's facility in Melbourne, Australia. The work is done pursuant to a processing agreement between the parties that commenced in 2017 with an initial term of five years. The facility has multiple dairy accreditations, including GACC[1] (previously known as CNCA[2]) manufacturing approval, which is necessary for all IF products that are sold to Chinese end consumers through offline or official CBEC channels.

At this second stage of the manufacturing process, heat and oxidation sensitive micro-ingredients (such as DHA and ARA) are blended with the GIF base powder produced during the first stage of the process and then canned into the finished product. As with the base powder manufacturing stage, Nuchev staff are actively involved in the testing and quality control processes of Nuchev's products. Nuchev's blending, canning and packaging processes are supported by both Nature One Dairy's extensive IF and GIF production experience as well as Nuchev's own expertise and capability.

Nature One Dairy has applied for Chinese State Administration for Market Regulation (SAMR) brand registration on behalf of Nuchev for registration of Nuchev's China-specification products. Nuchev's processing agreement with Nature One Dairy includes contracted minimum production volumes by Nature One Dairy that would also apply to China-specification GIF for Nuchev should SAMR brand registration be obtained.

Reserved farming optionality for the future

Nuchev owns a large Australian dairy goat herd of approximately 2,500 milking age does. The herd has the capacity to supply the raw GFCMP ingredients required to produce approximately 500MT of GIF. In addition, Nuchev successfully trialled a goat embryo transfer program, which has the potential to rapidly increase goat herd numbers if required. With extensive experience in managing dairy farm operations, the team is confident of the capability to support potential large scale future farming opportunities.

Nuchev's goat herd has been leased out to a third party on commercial terms. This reflects the company's strategy of operating a capital-light business model. However, its farming operations provide future optionality for introducing locally sourced raw goat ingredients into the supply chain if this was subsequently considered to be appropriate considering Nuchev's dedication to product quality and its financial and strategic objectives.

New product development and research

The differentiated health benefits and quality of Nuchev's GIF and goat nutritional products are a defining feature of its products and a competitive advantage for Nuchev's business. The team is therefore dedicated to the ongoing nutritional development of its goat milk based products.

Nuchev's approach to nutritional development is founded upon product innovation supported by scientific research, with an ongoing collaboration with both RMIT and the University of Melbourne underpinning this approach.

An exciting pipeline of new products is currently in execution phase, based on Nuchev's research, knowledge and expertise.

This focus on nutritional development and product quality allows Oli6® to be sold as a premium, high margin product in the rapidly growing GIF market and enables it to be well-positioned to achieve significant sales growth.

Flexible and secure operations in the face of COVID-19

In the second half of the year, the Nuchev team responded quickly to a rapidly changing environment brought about by the COVID-19 global pandemic, supporting its partners and ensuring security of supply in the face of increased demand. A spike in sales in Q3 caused by pantry filling led to lower than expected inventory levels, however the company's quality, flexible supply chain continued to perform strongly in the face of these challenges, and operations were quickly adjusted to meet demand. Pleasingly, despite some minor logistics challenges, relationships with our strategic supply partners remained strong, with overall margin and sales volumes maintained.

1 The General Administration of Customs of the People's Republic of China.
2 Certification and Accreditation Administration of the People's Republic of China.

Our People

Nuchev's team comprises a small but highly capable group of individuals whose combined knowledge, skills and experience drive the business forward in achieving its growth aspirations. Team members come from a diverse range of backgrounds, not only reflecting the business' customer base, but demonstrating deep understanding of the industry in which Nuchev operates, as well as the markets where the company's products are sold.

As Nuchev continues to focus on driving profitable growth, a strategic workforce plan is being developed to ensure the company attracts and retains strong talent to support its growth strategy.

A commitment to operating with the highest levels of integrity and ethical standards lies at the heart of the company, along with supporting the health, safety and wellbeing of its people, while encouraging an inclusive work environment. The company's employment, culture, diversity and remuneration practices are guided by the People and Culture committee, comprised of independent non-executive directors.

A number of policies underpin these commitments including:

- A Code of Conduct that outlines expected behaviours of its employees and Directors in conducting business, along with consequences of breaching the Code;
- A Diversity Policy that actively facilitates a diverse and representative management structure and workforce, and addresses the representation of women in senior management positions, on the Board and across the broader employee base, and;
- A Speak Up Policy that provides a mechanism for anyone with information about potential misconduct to report that information to the Company, along with protections provided to a discloser, and Nuchev's processes for responding to reports.

Employees also have access to an independent Employee Assistance Program.

In FY20, 50% of Nuchev's employee base and 33% of Directors were female. In FY21, the company will develop measurable objectives to continue to improve its performance in the area of diversity.

Risk Management

Effective risk management is central to Nuchev's approach to driving sustainable, profitable growth. The company retains a comprehensive risk management framework, identifying types of risk that may have a material impact to the business, and assessing these risks on the basis of likelihood, magnitude and impact. The risk management framework encompasses all areas of Nuchev's operations and includes economic, environmental and reputational risks. Actions to mitigate and manage these risks have been developed to ensure that, should it need to, the business is able to take swift action to respond to risk and sustain operations. The risk management framework is regularly reviewed and updated by the executive leadership team (ELT) and Board.

Sources of Risk	Management Strategies
Insufficient level of working capital and liquidity	
Nuchev may have an insufficient level of capital and liquidity to support its normal business activities.	• Nuchev retains a robust and flexible balance sheet, with $9.4 million cash on hand with no debt. Regular modelling and variance reporting is undertaken and reported to the ELT and Board of Directors. • The company also maintains robust sales and operations processes, examining ways to minimise working capital and write-off risk, as well as identifying key cash levers (raw materials, production, marketing, employees, raw sales) and consistently explores opportunities to implement cost saving initiatives in the business as required. • On 29 July 2020, the company successfully undertook a $15.2 million capital raise to further fund working capital and provide balance sheet flexibility to drive future growth.
Major event impacts economy and/or market – e.g. natural disaster, pandemic	
The COVID-19 pandemic continues to present a global health crisis, disrupting the global economy and traditional conditions. In particular, this may have a material adverse impact on Nuchev's ability to: • Ensure supply chain continuity (including in relation to those of Nuchev's suppliers that are based overseas, such as AVH Dairy in the Netherlands); • Ensure sales channel continuity, particularly in relation to Nuchev's products reaching its target end consumers who are Chinese mothers; • Maintain channel partner engagement and communication; • Protect the health (both mental and physical), safety and security of its staff; • Implement its growth strategy within initially projected timeframes; and • Comply with requirements under its contractual arrangements and its regulatory framework.	• The company has comprehensive business continuity procedures that can be deployed in the event of a major event such as a natural disaster or pandemic. It has developed alternate co-manufacturer plans for its supply operations to ensure security and continuity of supply, and regularly conducts audits and assessment with co-manufacturers, with escalation processes in place to manage issues and major events. • Nuchev's facilities are designed with safety features that effectively support the management of major disaster events. • The ELT closely monitors regulatory and other developments that may impact suppliers and partners in overseas markets, particularly in the context of major global events such as COVID-19. • Pleasingly, to date the business has experienced minimal disruption to key business activity in light of the COVID-19 global pandemic, with all employees working remotely and only minor logistical issues experienced by supply and manufacturing partners.

Risk Management

Sources of Risk *continued*	**Management Strategies**
Constrained access to raw materials, and/or increase in production and logistics costs	
The availability and price of raw goat ingredients used in Nuchev's products (which Nuchev primarily sources from AVH Dairy based in the Netherlands) are influenced by global demand and supply factors outside Nuchev's control, which may include impacts as a result of COVID-19. Nuchev may be adversely impacted by increases in production and logistics costs, including material increases in raw goat ingredient prices, toll processing, logistics and distribution cost. If there is a significant increase in the cost of the inputs of Nuchev's products, this may have a material adverse effect on Nuchev's operating and financial performance. Changes in foreign exchange rates may also negatively impact on Nuchev's production costs.	• Nuchev has contracts in place for supply of raw materials across 2020, including price, quality and quantity. The terms of these contracts are closely managed, and review processes are in place to assess key variable costs (such as marketing) against fixed costs to ensure flexibility. • Nuchev has developed a raw materials strategy that identifies alternate companies and geographies from which to source materials, with dual contingency supply plans in place for key ingredients.
Sales performance	
Nuchev fails to meet stated sales performance targets, impacting the company's financial performance and delivery of its strategy.	• The executive leadership team conduct regular performance meetings with agreements in place for set sales targets in key channels. • The company deals with reputable retailers and distributors, with KPIs and targets set for brand trainers and outsourced reps, driving a high level of accountability against KPIs. Key channels are also resourced adequately to ensure effective sales management. • If necessary, the business will implement changes in distributor agreements where sales performance targets are not being met.
Loss of key channel partner or channel partner support	
Nuchev distributes its products to end consumers through various sales channels, including Australian retailers and Cross Border E-Commerce (CBEC). Losing a key channel partner could have a material impact on Nuchev's revenue. Nuchev's key channel partner relationships may be lost or impaired if channel partners experience financial difficulty or insolvency (with such risk potentially being heightened as a result of COVID-19) or by any dissatisfaction with Nuchev's business or products. This may decrease the volume of products that Nuchev is able to sell to its channel partners. The loss of any of Nuchev's key channel partners, or a significant reduction in the volume purchased by one or more key channel partners, may adversely impact Nuchev's operating or financial performance.	• Nuchev works to maintain strong relationships with its channel partners, and undertakes regular sales and brand tracking to monitor performance. The company aligns joint category plans with its partners to focus investment and activities on driving brand equity and product sales. • The company's ongoing commitment to product quality helps ensure the company's product portfolio is an appealing proposition for channel partners. • The company retains a strategic mix of channel partners to drive optimum sales across a range of channels.

Sources of Risk *continued*	**Management Strategies**
Increased market competition	
Nuchev operates in the highly competitive fast-moving consumer goods industry and is subject to existing and growing competition from domestic and international producers of goat infant formula and other goat nutritional products. Increased competition may reduce the volume or price of products that Nuchev is able to sell, which may have a material and adverse impact on Nuchev's revenue and, in particular, its future growth prospects.	• Nuchev has built strong equity in its flagship Oli6® brand, focused on differentiated health and nutritional benefits that command a high degree of loyalty and appeal amongst its target consumer. • The team has engaged sales, distribution and supply partners that are highly competitive and leaders in their field, and works to maintain strong, collaborative relationships with these partners. • The company uses brand tracking, sales data and consumer research to develop joint category plans with partners that leverage the strong brand equity of Nuchev's products, and maintain consumer loyalty. The team has proven to act with agility in responding to market dynamics.
Domestic or foreign regulatory changes impacting Nuchev's operations	
Nuchev must comply with a range of laws and regulations in Australia and in foreign jurisdictions in which Nuchev sources its ingredients or sells its products. Compliance with these laws and regulations, and the ability to comply with any change to these laws and regulations, is material to the success of Nuchev's business. Failure to comply may result in a monetary fine or other penalty (such as losing the ability to operate), additional costs, adverse publicity or a loss in consumer confidence in Nuchev's products, which could have a material adverse effect on Nuchev's operating and financial performance and reputation. Furthermore, new laws or regulations may be introduced or there may be a change to the existing laws or regulations or revised interpretations of those laws or regulations in the relevant jurisdictions. Such regulatory changes could impact Nuchev's ability to successfully implement its business strategy and result in increased costs, damage to Nuchev's reputation and loss of consumer confidence in Nuchev's products, which in turn could have a material impact on the operating and financial performance, position and future prospects of Nuchev.	• Nuchev is a member of the Infant Nutrition Council (INC) and regularly monitors for any regulatory changes that may impact the company and/or its operations in the geographies where its products are manufactured, marketed and sold. • This includes keeping abreast of and complying with requirements set out by various regulatory bodies and standards including Food Standards Australia New Zealand (FSANZ) on the registration and formulation of products, the Australian Securities Exchange (ASX) on listing rules and governance principles, the voluntary Marketing in Australia of Infant Formulas (MAIF) agreement and regulatory standards for the marketing and advertising of Nuchev's products in relevant international markets.

Risk Management

Sources of Risk *continued*	**Management Strategies**
Climate, environmental or biosecurity events impacting Nuchev's supply chain	
The quantity and quality of Nuchev's products may be adversely affected by weather or climatic conditions (including climate change). If a weather or climatic condition disrupts Nuchev's supply chain, this may have a material adverse impact on Nuchev's operations and financial performance. Nuchev's outsourced suppliers are required to comply with environmental laws and regulations when manufacturing Nuchev's products. The storage, use, production and transportation of Nuchev's products or other inputs in the production process involves the risk of accidents, spills or contamination. Any of these occurrences could cause harm to the environment, which may lead to disruption in Nuchev's supply chain, regulatory sanctions and remedial costs, and which could negatively impact Nuchev's operating and financial performance. There may also be adverse reputational impacts on Nuchev and its business through its association with any third party supplier involved in an adverse environmental incident. The incidence of a biosecurity event such as a disease outbreak in the goat herds supplying milk to AVH Dairy could lead to a reduction in available raw goat ingredient supply to Nuchev, which may in turn materially and adversely impact Nuchev's operations, financial performance and reputation.	• Nuchev maintains a scalable, outsourced supply chain that provides flexibility and optionality in the manner through which its products are sourced and manufactured. • The company has developed a raw materials strategy that identifies alternate companies and geographies from which to source materials, with dual supply plans in place for key ingredients. • The company owns a large Australian dairy goat herd of approximately 2,500 milking age does with capacity to supply the raw GFCMP ingredients required to produce approximately 500MT of GIF (approximately 80% of Nuchev's FY20 sales volume). In addition, Nuchev successfully trialled a goat embryo transfer program, which has the potential to rapidly increase goat herd numbers if required. With extensive experience in managing dairy farm operations, the team holds in-house capability to support potential large scale future farming opportunities if and when required.
Failure to comply with food safety and quality standards	
As with other food products, the raw goat ingredients used in Nuchev's manufacturing process as well as Nuchev's final products are susceptible to deterioration, contamination, tampering, adulteration or may otherwise be unsafe or unfit for sale or consumption throughout all stages of the supply chain (including storage). This may result from various factors, including human error, equipment failure or other external factors that may impact Nuchev and its third party suppliers and service providers. Non-compliance with food safety regulations and quality standards, and associated adverse publicity, could damage Nuchev's brand and reputation, reduce demand for Nuchev's products and result in other adverse consequences for Nuchev, including regulatory penalties, other litigation and product recall and disposal costs. These factors could materially adversely affect the financial performance and future growth prospects of Nuchev.	• Food quality and safety remains at the core of the company's operations and business strategy. • The Nuchev team regularly conducts quality audits of raw materials, packaging, transport and logistics suppliers as well as co-manufacturers both in Australia and the markets where it operates. • Stringent testing procedures are enforced on all batches of Goat Full Cream Milk Powder (GFCMP) and Goat Whey Protein Concentrate (GWPC) received from suppliers prior to these ingredients being distributed to Australia. This enables Nuchev to reject any raw goat ingredients that do not meet the required standards (at the supplier's cost) before they are used. • The team monitors for food tampering risks and has food recall and crisis management procedures in place in the event they need to be deployed quickly. • To ensure the effective of these procedures, mock scenario exercises are conducted to ensure readiness amongst team members and partners to respond effectively in the event of a food quality and/or safety issue. • The company works in partnership with its suppliers and co-manufacturers to keep abreast of and comply with various regulatory requirements for the quality and safety of Nuchev's products.

Sources of Risk *continued*	**Management Strategies**
Brand or reputational damage Nuchev's reputation and the value associated with its Oli6® brand could be impacted by a number of factors such as: • Quality issues with Nuchev's products (or perceived quality issues with raw goat ingredients sourced from the Netherlands or products made in Australia); • A failure or delay in supplying products (including as a result of COVID-19); • The actions of Nuchev's third party suppliers and their customers (including their employment practices or treatment of staff); • A regulatory breach; • Adverse media coverage (including social media) or publicity about Nuchev's products or practices (whether valid or not) or changes in the public perception of the goat milk product industry; or • Workplace incidents or disputes with Nuchev's workforce. A material adverse impact to the reputation of Nuchev or the Oli6® brand could negatively affect channel partner relationships, consumer loyalty and employee retention, which could result in loss of business, loss of contracts and loss of market share, and have a material adverse effect on Nuchev's financial and operating performance and future prospects.	• Nuchev maintains an unwavering focus on product quality and safety across its entire supply chain, in partnership with its supply and co-manufacturing partners. • The business takes a responsible approach to inventory management, retaining a base level of inventory to meet demand in the event of temporary disruptions. It has also explored contingency options for alternate supply, manufacturing and logistics suppliers in the event of a major disruption. • The company conducts regular research into consumer preferences and uses consumer feedback to inform its product and brand strategy. The team consistently monitors social media channels to ensure prompt responses to consumer comments within 24 hours, and has a clear escalation process to effectively manage communications. • The company closely monitors for any developments in regulatory requirements for its products, and briefs third party suppliers including agencies to ensure legal compliance with relevant regulation and has a robust internal approvals process for brand activity, packaging and labelling. • The company upholds a number of policies that help ensure fair, ethical and equitable treatment of its employers and partners, including the Code of Conduct, Diversity Policy and Speak Up Policy.

Directors' Report

MEET OUR BOARD OF DIRECTORS

Justin Breheny

Chairman and Non-Executive Director

Justin has been a director of Nuchev since September 2016. He is a former senior executive of Insurance Australia Group Ltd and ANZ Banking Group Ltd (ANZ), with 22 years of experience managing and acquiring banking and general insurance businesses across nine countries in Asia. His most recent senior executive roles at IAG were as Group Chief Risk Officer and Chief Executive Officer Asia. His former roles at ANZ include General Manager Asia and in-country executive roles in Malaysia, China, Singapore and Indonesia. Justin has extensive experience managing complex businesses, building and executing Asia market entry strategies, managing complex joint venture relationships across Asia and mergers and acquisitions. He holds a Bachelor of Economics from Monash University and is a Certified Practising Accountant. He is also a Senior Fellow of the Financial Services Institute of Australasia.

Other Current Directorships

Non-executive director of Westpac/BT Insurance Boards since August 2016, Aviva Limited (Singapore) since May 2016 and Lawcover Insurance Pty Ltd since May 2019.

Directorships of Listed entities current and recent (last three years)

Nil

Special Responsibilities

Chairman of the Company

Ben Dingle

Chief Executive Officer and Executive Director

Ben is the founder and CEO of Nuchev and has been a director of Nuchev since April 2013. He brings significant commercial experience from the New Zealand dairy industry, as co-founder of New Zealand's Synlait Milk, founded in 1999. His role included management of the construction of a number of dairy farms, implementation of irrigation schemes and adoption of world best farming practices. Prior to co-founding Synlait Milk, he worked in a number of dairy farm senior management roles. A highly connected, large-scale dairy innovator and leader, Ben holds an MBA and Master of Marketing from The University of Melbourne and a Bachelor of Agriculture from Massey University. He is a graduate of the New Zealand Institute of Company Directors and is a member of the Australian Institute of Company Directors.

Directorships of Listed entities current and recent (last three years)

Nil

Selina Lightfoot

Non-Executive Director

Selina has been a director of Nuchev since September 2016. She has more than 20 years of experience as a corporate legal adviser, and is a former Partner of Freehills (now Herbert Smith Freehills). Her areas of expertise include corporate governance, mergers and acquisitions, outsourcing and commercial contracting. Selina holds a Bachelor of Arts/Law from the University of Tasmania, a Graduate Diploma in Applied Finance and Investment and she is a Graduate of the Australian Institute of Company Directors.

Other Current Directorships

Non-executive director of The Reject Shop, Hydro Tasmania, JDRF Australia and Victorian Opera. Advisory Board member for TLC Healthcare.

Directorships of Listed entities current and recent (last three years)

Non-executive Director of the Reject Shop Limited since August 2018. Non-executive Director of DWS Limited, appointed December 2016 and resigned June 2020.

Special Responsibilities

Chair of the Audit and Risk Committee

Michelle Terry

Non-Executive Director

Michelle has been a director of Nuchev since December 2016. She is an experienced executive leader of ASX50 companies, with more than 20 years of experience in international markets across multiple sectors, including consumer goods, luxury goods, professional services, financial services and retail. Michelle is currently Chief Executive Officer of global men's health charity Movember. She previously held a number of senior marketing roles at Treasury Wine Estates including Chief Marketing Officer, Regional Marketing Director for Asia, EMEA and Latin America and Global Marketing Director for Penfolds. Michelle holds an MBA from Melbourne Business School, an Arts degree (Psychology First Class Honours) from the University of Queensland and a Bachelor of Business (Distinction) from Queensland University of Technology.

Directorships of Listed entities current and recent (last three years)

Nil

Special Responsibilities

Chair of the People and Culture Committee

Jeff Martin

Non-Executive Director

Jeff has been a director of Nuchev since September 2016. He is the principal of Martin & Co Legal, a boutique Melbourne based legal practice specialising in commercial, corporate, dispute resolution and commercial litigation, employment, family and estate law. Before his career in law, Jeff had a 25 year career in food and dairy senior management positions, including 15 years within Nestle, five years as General Manager of SPC and five years as Managing Director of Tatura Milk Industries. He has also held roles on commercial boards and government advisory bodies including the Australian Dairy Industry Council and the Latrobe University Regional Advisory Board. Jeff holds a Bachelor of Economics and an MBA from Deakin University, a Juris Doctor from The University of Melbourne and a Graduate Diploma of Legal Practice from the Australian National University.

Other Current Directorships

Chairman of Kyvalley Dairy Group Pty Ltd and The Remarkable Milk Company Pty Ltd. Director of Kyvalley Dairy Asia Pty Ltd.

Directorships of Listed entities current and recent (last three years)

Nil

David Whyte

Non-Executive Director

David joined the Board in September 2016 as a representative of ADM Capital, a Hong Kong SAR based alternative investment manager and debt provider and substantial shareholder of Nuchev. He has 15 years of experience in accounting and institutional funds management. Starting his career at KPMG, David worked in the consumer and industrials sectors in Australia and Hong Kong SAR for seven years, and then with ADM Capital, sourcing, executing and managing the Australian and New Zealand investment portfolio. David holds a Bachelor of Commerce (double major in Accounting and Business Management) from the University of Tasmania and is a member of the Institute of Chartered Accountants Australia and New Zealand.

Other Current Directorships

Director of Agripower Australia, Australian Retirement Holdings, Emerald Foods Group (NZ), Yeeda Pastoral Company and Australian Bay Lobster Producers.

Directorships of Listed entities current and recent (last three years)

Nil

Directors' Report

The directors present their report on Nuchev Limited and its controlled entities (collectively, the "consolidated group" or the "Group") for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Ben Dingle

Mr Justin Breheny

Ms Selina Lightfoot

Mr Jeffrey Martin

Mr David Whyte

Ms Michelle Terry

Principal activities

Nuchev is an Australian based, globally oriented food business with a dedicated focus on developing, marketing and selling a range of premium Australian made goat nutritional products.

Nuchev's primary products include its Oli6® branded goat infant formula ("GIF") and nutritional range, which are sold across multiple sales channels in Australia and China.

Oli6® products are formulated with the benefits of goat milk, supported by ongoing scientific research. Nuchev operates a capital-light business model, leveraging leading raw goat ingredient suppliers and Australian-based manufacturers in an established, secure and scalable supply chain to deliver high quality products under a premium, trusted brand.

Operating and financial review

The loss of the consolidated Group for the financial year ended 30 June 2020 after providing for income tax was $10,902,865 (30 June 2019 loss of $13,499,836). This improvement in financial performance has been achieved by increased Gross Margin through revenue growth, as well as reduced finance costs. The net cash position for the financial year ended 30 June 2020 was $9,443,093 with no debt.

Nuchev continues to deliver strong sales of Oli6® goat infant formula and nutritional products, with volume and revenue growth of 108% and 98% over FY19, effectively doubling the size of the business. This growth has been driven predominantly through our strategic partnerships in the Export (Daigou) and Cross Border E-Commerce (CBEC) channels to support demand from Chinese consumers. Nuchev continues a targeted marketing approach to build connections with consumers and through influencers and Key Opinion Leaders ("KOLs"), who are helping to build brand awareness. Nuchev's high-quality supply chain remains flexible and robust and has not been materially affected during the COVID-19 pandemic. Despite some minor logistical challenges due to COVID-19, the relationships with supply partners remains strong with overall margin maintained.

Growth was also delivered through continued momentum in Australian retail, with baseline sales in Coles building and the addition of Oli6® Stage 4 goat infant formula to the range. Whilst the growth has been promising, there has been moderated historical growth across the Pharmacy and Grocery channels and COVID-19 has accelerated the shift to online platforms. However, despite the impacts of COVID-19, Oli6® pleasingly has performed strongly relative to key competitors.

Nuchev has recently achieved listing of Oli6® goat infant formula into Chemist Warehouse New Zealand and has also been registered for sale in Vietnam with initial sales in Q4. This is in line with Nuchev's multi-channel sales strategy to continue to establish in diversified markets and drive profitable growth.

Nuchev submitted its brand application to sell Chinese specification Oli6® product in the offline channel to the State Administration of Markets Regulation ("SAMR") in 2018. Some US and European brands have recently received approval, and Nuchev remains confident the process will ultimately progress to a positive outcome, albeit there is uncertainty over timing. There is still significant market growth opportunity in the channels Nuchev operates in, particularly the significant and growing CBEC channel, with the global goat infant formula market forecast to grow at a CAGR of 16.6% to A$13.6 billion from 2018 to 2023.

Significant changes in state of affairs

During the period, and as part of the IPO process, the Group converted to a public company with its name changing to Nuchev Limited.

In November 2019, Nuchev Limited (ACN 163 225 090), in conjunction with Saleco Limited ("Saleco") (ACN 637 091 386), issued a prospectus detailing an IPO offering of fully paid ordinary shares either through new issue by Nuchev or sold by existing shareholders through Saleco. The Group raised $48,654,598 under the Offer, comprising approximately $24,999,998 in primary proceeds and $23,645,600 in secondary proceeds which were subsequently paid out to selling shareholders.

$4,267,170 of transaction costs were incurred through the IPO of which $2,147,652 were expensed through profit and loss with the remaining $2,119,518 recorded through equity. Further details are contained in Note 27.

The IPO provides Nuchev with additional financial flexibility to support growth objectives, creates a liquid market for shareholders and increases the Group's profile.

Significant events after the balance date

On the 29 July 2020, the Group announced on the ASX a capital raise undertaken by way of an accelerated non-renounceable entitlement offer ("Entitlement Offer") and institutional placement ("Placement"). The purpose of the capital raise was to provide balance sheet flexibility for growth and to fund working capital requirements.

A total of $9.0 million was raised in the institutional component of the Entitlement Offer, with $3.2 million raised through the Placement from the offer of new fully paid ordinary shares in the Group at an offer price of $2.33. Total issue of new shares of 5.3 million occurred on 5 August 2020, on payment of the subscription.

A further $3.0 million was raised in the Retail Entitlement Offer, from the offer of new fully paid ordinary shares in the Group. Eligible shareholders were invited to subscribe for 1 new share for every 8.75 existing Nuchev shares held for an issue price of $2.33. Total issue of new shares of 1.3 million occurred on 24 August 2020, on payment of the subscription.

Likely developments and expected results

Likely developments in the operations of the consolidated Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice (for example, because the information is commercially sensitive, confidential or premature for public disclosure, that could give a third party a commercial advantage).

Corporate Governance Statement

The Group and the Board are committed to implementing and demonstrating the best practice of corporate governance. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The Corporate Governance Statement is dated as at 30 June 2020 and was approved by the Board on 26 August 2020. The Group's corporate governance practices are set out and can be viewed at http://investor.nuchev.com.au/policies

Environmental regulation

During the financial year no material environmental regulation breaches were noted.

Dividends paid or recommended

No dividends were paid, declared, or recommended.

Directors' Report

Share options/rights

As at the date of this report, there were 1,938,225 unissued ordinary shares under options/rights (1,898,745 at the reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel ("KMP").

Indemnification and insurance of officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group and all executive officers of the Group and any related body corporate against a liability incurred as such a director, secretary or 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. 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 of the Group against a liability incurred.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Statement of compliance

In compliance with ASX listing rule 1.3.2(b), the Group notes that it used the cash and assets in a form readily convertible to cash that it had at the time of admission on 9 December 2019 consistently with its stated business objectives.

Proceedings on behalf of consolidated group

No person has applied for leave of court to bring proceedings on behalf of the consolidated group or intervene in any proceedings to which the consolidated group is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any part of those proceedings. The consolidated group was not a party to any such proceedings during the year.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board meetings	Audit & Risk	People & Culture
# of meetings held	13	3	3
Number of meetings attended:			
Ben Dingle	13	3	3
Justin Breheny	13	3	3
Selina Lightfoot	13	3	3
Jeffrey Martin	13	3	–
David Whyte	13	–	–
Michelle Terry	13	–	3

Committee membership

As at the date of this report, the Group had an Audit & Risk Committee and a People & Culture Committee .

Members acting on the committees of the Board during the year were:

Audit & Risk Committee	People & Culture Committee
S Lightfoot (Chair)	M Terry (Chair)
J Breheny	J Breheny
J Martin	S Lightfoot

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia following amount for the provision of non-audit services:

	$
Transaction related services for IPO	305,800

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2020 has been received and can be found on page 48.

Remuneration Report (Audited)

Contents

1. Remuneration report overview

The Directors of Nuchev Limited present the Remuneration Report (the "Report") for the Group and its controlled entities for the year ended 30 June 2020. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for Nuchev's key management personnel ("KMP"):

- Non-executive directors ("NEDs")
- Executive directors and senior executives (collectively "the executives").

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the activities of the Group.

The table below outlines the KMP of the Group and their movements during FY20:

Name	Position	Term as KMP
Non-Executive Directors		
J Breheny	Non-Executive Chair	Full financial year
S Lightfoot	Non-Executive Director	Full financial year
M Terry	Non-Executive Director	Full financial year
D Whyte	Non-Executive Director	Full financial year
J Martin	Non-Executive Director	Full financial year
Executive Directors		
B Dingle	Managing Director/Chief Executive Officer	Full financial year
Senior Executives		
D Lasnitzki	Chief Financial Officer & Company Secretary	Ceased 30 April 2020
C Pritchard	Chief Financial Officer & Company Secretary	Appointed 30 April 2020

2. Overview of executive remuneration

2.1 Principles used in determining remuneration

The guiding principles for the Nuchev remuneration framework are:

- **Fit for purpose** – Simple to understand, implement and communicate
- **Maximise returns to shareholders** – Encourage executives to behave like owners to drive long term value
- **Balance short term and long-term needs** – 'Going faster safely' to deliver on business plans
- **Encourage teamwork and collaboration** – Foster a spirit of accountability
- **Keep the right people**
- **Support behaviours** – Aligning with the interests of shareholders

2.2 Our policies and structure

The Group's remuneration policies and principles are guided by the People & Culture Committee (the "Committee"). The Committee is made up of only independent non-executive directors, with a minimum of three members. The Committee reviews and determines the Group's Remuneration Policy and structure annually to ensure that it remains aligned to business needs and meets the Group's remuneration principles.

The Committee aims to ensure that its remuneration policies are:

i. Aggregated towards short and long term incentivisation

ii. Encourages and sustains a culture aligned with the Group's values

iii. Supports the Group's strategic objectives and long-term financial soundness; and

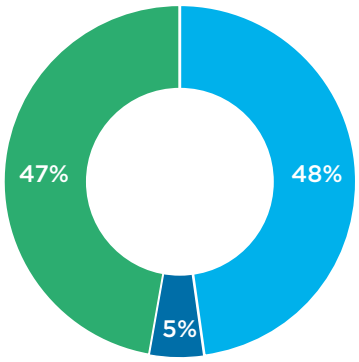
iv. Is aligned with the Group's risk management framework and risk appetite

The Group's Remuneration Policy also seeks to attract and retain high quality KMP, whilst ensuring that this is aligned and value accretive for shareholders. The remuneration policy charter is reviewed annually to ensure that it remains adequate for the Group.

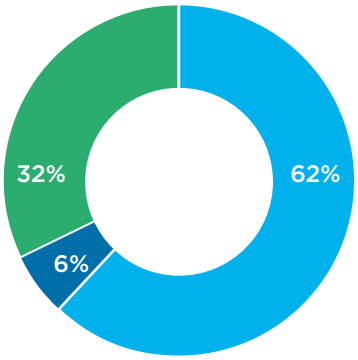
2.3 Remuneration mix – target

The below illustrates the remuneration mix targets set for Nuchev. In reference to LTI this is based on the value granted during the year, determined using the fair value of share options at grant date.

CEO Remuneration



CFO Remuneration



• Fixed Remuneration • STI • LTI

Remuneration Report (Audited)

3. Elements of remuneration

3.1 Total fixed remuneration ("TFR")

KMP may receive their fixed remuneration as cash, or cash with non-monetary benefits such as a company phone or allowance. TFR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

3.2 Short-term incentives ("STI")

Executive KMP receive performance-based remuneration which reward high performance over the financial year. STI objectives are approved through the Committee and are calculated usually as a fixed percentage of total fixed remuneration ("TFR"). Details of the STI incentives offered to the CEO and CFO are detailed in section 5.4 below.

The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.

The STI performance measures were chosen as they reflect the core drivers of short-term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and customers. Maximum STI is achieved if the executive achieves all of their key performance indicators ("KPIs").

Nuchev measures KPIs covering financial and non-financial measures of performance. For each KPI, an initial threshold, actual target and stretch objective is set. Maximum STI is achieved if the executive achieves all of their KPIs. In the case of objectives not being achieved, executives may be entitled to a pro-rata STI, subject to Board approval for financial and non-financial measures achieved. Both financial and non-financial/strategic objectives have a 50% weighting.

Financial metrics for FY20 are measured by comparing the actual result compared to the revenue and EBITDA figures prescribed in the IPO prospectus.

A summary of the measures and weightings are set out in the table below:

Executive KMP	Financial Measure	Non-Financial Measure	Weighting	Maximum
Chief Executive Officer	Revenue	Successful IPO	Financial 50%	20% of TFR is target; up to maximum of 30% of TFR
	EBITDA	Growth	Non-Financial/ Strategic 50%	
		Risk & Governance		
		Investor Relations		
Chief Financial Officer – Darryl Lasnitzki	Revenue	Successful IPO	Financial 50%	20% of TFR is target; up to maximum of 30% of TFR
	EBITDA	Secretarial/Regulatory	Non-Financial/ Strategic 50%	
		Financial/Reporting		
		Risk & Governance		
Chief Financial Officer – Chantelle Pritchard[1]	N/A	N/A	N/A	N/A

1 Chantelle Pritchard signed a full-time contract effective 1 July 2020, previously she was signed on a contractor basis and therefore not entitled to any STI or LTI.

The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the CEO (and in the case of the CEO, by the Board). The Board approves the final STI award based on this assessment of performance. The bonus payment is settled in cash and paid at the end of September, following the end of the performance period.

If an executive is terminated for cause before the end of the financial year, no STI is awarded for that year. If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive may be entitled to their STI in full or on a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year subject to Board discretion.

3.3 Long-term incentives (LTI)

Details of the LTI plans are detailed below:

FY20 Long Term Incentive Plan

An award of share options were made during the year to senior executives (including the CEO) and other entitled employees for no cost. The options have an exercise price of $2.60 per option and will vest after three years across three equal tranches subject to meeting both performance conditions (tranche 1 and 2) and continuous employment (all tranches) to 30 June 2022.

- Tranche 1 (one-third of Options): achieving the year 1 revenue forecast as set out in the IPO prospectus and remaining employed until 30 June 2022 (subject to the cessation of employment provisions);
- Tranche 2 (one-third of Options): achieving FY21 target revenue and remaining employed until 30 June 2022 (subject to the cessation of employment provisions); and
- Tranche 3 (one-third of Options): remaining employed until 30 June 2022 (subject to the cessation of employment provisions).

These measures were selected to support the alignment of executive and shareholder interests, align the Group's performance, achieve with the objective targets set out with the IPO listing targets set in December 2019.

FY16/17 Long Term Incentive Plan ("Legacy Options")

Under previous equity awards in 2016 & 2017, awards of share options were made to long term employees and directors for no cost. Participants included non-executive directors. Vesting conditions on Legacy Options were service components (3-year service condition), with an allocation of options awarded when each service component was met.

The share options are exercisable subject to payment of an exercise price of $2.50 and convert to an equal number of shares on vesting. Unvested share options lapse on cessation of employment, however subject to Board discretion whether any pro-rata allocation is made on meeting each years' service condition.

Remuneration Report (Audited)

4. Performance and executive remuneration outcomes in FY20

4.1 Performance against STI measures

In FY20, the Board's assessment of the CEO & CFO's performance against their STI objectives were as follows:

MD & CEO

Performance area	Weighting	Achievements
Comprises a combination of the following: • Revenue • EBITDA	50%	Overall financial outcomes were below threshold and no STI was awarded for financial performance
Successful IPO Growth Risk & Governance Investor Relations	50%	Achievements included: • IPO target was a stretch outcome • Risk and governance target achieved • Investor relations target achieved
Total awarded		**50%**

CFO

Relevant objectives of the MD & CEO's, both financial and non-financial were cascaded to the former CFO. The Board exercised discretion to permit the former CFO to participate in the STI this year on the basis of his contribution to achieving a successful listing on the ASX. STI outcomes were assessed on a consistent basis with that of the MD & CEO.

4.2 Performance LTI measures

The LTI performance condition for the FY20 plan was based upon the achievement of the revenue figure stipulated within the IPO prospectus. See below performance of revenue for the last two years:

	2020	2019
Revenue	17,763,252	9,449,278
Prospectus target	18,000,000	N/A

LTI vesting outcomes

LTI awards that were granted in 2016 vested, with service conditions being met for 100% of its options. A total of 463,108 options related to this plan are now exercisable.

The 2020 LTI plan performance vesting condition was the based on forecasted revenue figure for FY20 as per the IPO prospectus forecast. The Board has exercised discretion to determine the Tranche 1 performance condition has been met, based on revenue increased by 108% from FY19 and the fact that 99% of revenue target was actually achieved in a challenging business environment. The first vesting condition has been satisfied, however LTI outcomes are still subject to the service condition of being employed until 30 June 2022.

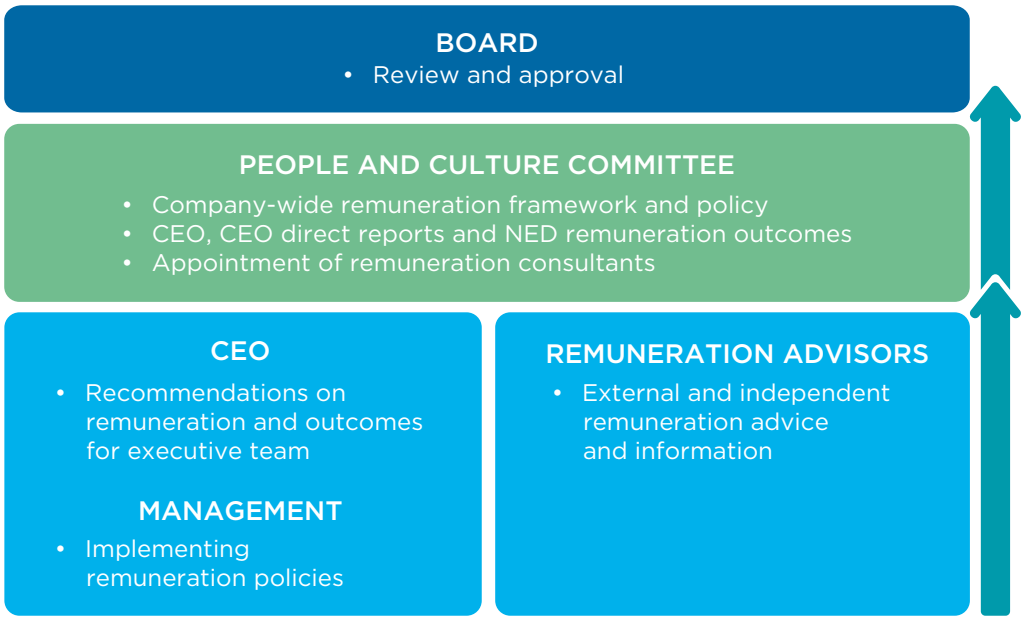
4.3 Overview of Group performance

The table below sets out information about the Group's key financial performance measurements over the past five years up to and including the current financial year.

	2020	2019	2018	2017	2016
Profit/(Loss) for the year attributable to owners of the Group	(10,902,865)	(13,499,836)	(14,074,385)	(9,679,724)	(4,037,288)
Revenue	17,763,252	9,449,278	3,441,257	2,544,357	1,238,846
Revenue growth	87%	175%	35%	105%	N/A
EBITDA	(9,452,998)	(10,490,601)	(11,554,877)	(8,441,679)	(5,185,448)
Share price	$2.26	N/A	N/A	N/A	N/A
Dividends	N/A	N/A	N/A	N/A	N/A

5. How remuneration is governed

The following diagram represents the Group's remuneration decision making framework is depicted below.



5.1 Use of remuneration advisors

The Committee engages and considers advice from independent remuneration consultants where appropriate in relation to remuneration matters including the setting and establishment of the STI, LTI and Equity plans and the remuneration mix and quantum for KMP and all employees. Any advice from external consultants is used as a guide and is not a substitute for thorough consideration of all the issues by the Committee.

During FY20, Barry Howard Pty Ltd and Thrive Talent Solutions Pty Ltd were engaged to provide remuneration advice and information on remuneration strategy and structure including market practice which covers KMP. The Committee are satisfied the advice received is free from undue influence from the KMP to whom the remuneration recommendations apply. No remuneration recommendations as defined by section 9B of the Corporations act 2001 were provided.

Remuneration Report (Audited)

5.2 Clawback of remuneration

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

5.3 Share trading policy

The Group has implemented the Securities Dealing Policy which applies to all employees and directors of the Group. The policy prohibits employees from dealing in Nuchev Limited securities while in possession of material non-public information relevant to the Group. This also includes designated "black-out" periods during which no employees can trade in the Group's securities.

All employees must not enter into any hedging arrangements over unvested options under the Group's options plan. The Group considers any breaches of this policy as gross misconduct, which may lead to disciplinary action and potentially dismissal.

5.4 Contractual arrangements with executives

Details of the contracts of the executive KMPs are outlined as below. The executive KMP for the Group have been determined as below:

Component	CEO
Fixed remuneration	$400,000
Contract duration	Ongoing
Notice by the individual/Group	6 months
Termination of employment (without cause)	• Entitlement to STI at the discretion of the Board • Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing • The Board has discretion to award a greater or lower amount
Termination of employment (with cause) or by resignation of the individual	• STI is not awarded, and all unvested LTI will lapse • Vested and unexercised LTI can be exercised in accordance with the Securities Dealing Policy

Component	Prior CFO
Fixed remuneration	$325,000
Contract duration	Ongoing – However ceased employment on the 17 June 2020.
Notice by the individual/Group	3 months
Termination of employment (without cause)	• Entitlement to STI at the discretion of the Board • Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing • The Board has discretion to award a greater or lower amount
Termination of employment (with cause) or by the individual	• STI is not awarded, and all unvested LTI will lapse • Vested and unexercised LTI can be exercised in accordance with the Securities Dealing Policy

Component	CFO*
Fixed remuneration	$2,500 per day
Contract duration	Short term
Notice by the individual/Group	3 months
Termination of employment (without cause)	N/A – no LTI or STI granted for FY20
Termination of employment (with cause) or by the individual	N/A – no LTI or STI granted for FY20

* Chantelle Pritchard was considered a KMP on a short-term basis as per the nature of her contract. She was formally appointed as CFO effective 1 July 2020.

5.5 Overview of non-executive director remuneration

Non-executive directors receive a Board fee and fees for chairing or participating on board committees as per the table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed with effect from the date the Group listed on the ASX in December 2019.

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for his or her services as a Director to the Group. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Group in general meeting. This amount has been fixed by the Group at $600,000 per annum.

The table below summarises Board and committee Chair fees payable to NEDs for FY20 (inclusive of superannuation):

Board Fees	
Chair	$110,000
NED[1]	$60,000
Committee fees	
Audit & Risk Committee Chair	$10,000
People & Culture Chair	$10,000

1 All non-executive directors are paid TFR or $60,000 per annum, with the exception of David Whyte who does not receive remuneration as a director. This was agreed by the Board given the previous relationship with debt financing provided by ADM Capital.

All non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Remuneration Report (Audited)

6. Statutory and share-based reporting

The following table shows details of the remuneration expense recognised for the Group's key management personnel for the current financial year measured in accordance with the requirements of the Australian Accounting Standards:

		Fixed Total Remuneration			Post-Employment benefits
		Salary & Fees $	Leave Benefits $	Non-Monetary[1] $	Super $
J Breheny	**2020**	81,649	–	–	7,757
B Dingle	**2020**	379,823	43,394	720	27,125
J Martin	**2020**	45,471	–	–	4,320
S Lightfoot	**2020**	50,602	–	–	4,807
M Terry	**2020**	50,602	–	–	4,807
D Whyte[2]	**2020**	–	–	–	–
D Lasnitzki[3]	**2020**	251,565	18,015	990	25,195
C Pritchard[4]	**2020**	145,350	–	–	–
Total KMP Remuneration		**1,005,062**	**61,409**	**1,710**	**74,011**

1 Non-monetary benefits include mobile phone allowances.
2 David Whyte does not receive any remuneration in his capacity as a director given the prior relationship with his employment.
3 Darryl Lasnitzki remuneration above is from the period of 1 July 2019 – 30 April 2020.
4 Chantelle Pritchard became a member of the KMP on the 30 April 2020. There was no STI or LTI benefits as she was paid as a contractor in her capacity as interim CFO. She has been appointed full time CFO on the 1 July 2020.
5 Options issued to directors under the Legacy Option plans were not considered variable remuneration, as the service vesting conditions are not performance objectives

The following table outlines the proportion of maximum STI earned in relation to the FY20 financial year

	STI bonus#		
	Total Opportunity	Awarded %	Forfeited %
Ben Dingle	$120,000	33%	66%
Darryl Lasnitzki	$97,500	33%	66%
Chantelle Pritchard[1]	N/A	N/A	N/A

Bonuses are inclusive of superannuation. Total STI for Ben Dingle was $36,530 for cash component, $3,470 was super component. Darryl Lasnitzki had $29,680 cash component and $2,820 super component.
1 Currently there are no STI or LTI benefits within Chantelle Pritchard's contract for the year ended 30 June 2020.

Other Employment Benefits	Variable Remuneration			
Share-based Payments – Options $[5]	Bonus $	Share-based Payments – Options $	Total Remuneration $	Performance related
6,554	–	6,554	95,960	0%
–	36,530	32,976	520,568	13%
3,818	–	3,818	53,609	0%
3,818	–	3,818	59,227	0%
3,818	–	3,818	59,227	0%
–	–	–	–	0%
–	29,680	31,949	357,394	17%
	–	–	145,350	0%
18,008	**66,210**	**64,925**	**1,291,335**	

Remuneration Report (Audited)

6.1 Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met.

	Financial Year	Options award during the year No.	Award date	Fair value per option at award date $	Vesting date
Justin Breheny	2020				
	2016		18/11/2016		18/11/2019
Ben Dingle	2020	616,330	9/12/2019	$0.649	30/6/2022
	2016				
Jeff Martin	2020				
	2016		18/11/2016		18/11/2016
Selina Lightfoot	2020				
	2016		18/11/2016		18/11/2019
Michelle Terry	2020				
	2016		30/12/2016		30/12/2019
David Whyte	2020				
	2016				
Darryl Lasnitzki[2]	2020	262,710	4/12/2019	$0.649	30/6/2022
	2016		18/11/2016		18/11/2019
Chantelle Pritchard	2020				
	2016				

1 Determined at the time of grant per AASB 2. For details on the valuation of the options, including models and assumptions used, please refer to Note 28.

2 Darryl Lasnitzki's options awarded, vested and lapsed have been included from the period of 1 July 2019 – 30 June 2020.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Exercise price per option	Expiry date	No. vested during year	No. lapsed during year	Value of options granted during this year[1]	Value of options exercised during the year
	18/11/2021	73,844			
$2.60	9/12/2024			399,998	
	18/11/2016	43,017			
	18/11/2021	43,017			
	30/12/2019	43,017			
$2.60	4/12/2024		175,140	170,499	
	18/11/2021	201,606			

Remuneration Report (Audited)

6.2 Option holdings of KMP

The number of options over ordinary shares in the Group provided as remuneration to key management personnel is shown below. The options carry no dividend or voting rights. See page 37 above for the conditions that must be satisfied for the options to vest.

	Balance as at 1 July 2019	Granted as Remuneration	Options exercised	Net change other[1]	Balance as at 30 June 2020	Vested and exercisable	Vested but not exercisable
Justin Breheny	73,844	–	–	–	73,844	73,844	–
Ben Dingle	–	616,330	–	–	616,330	–	–
Jeff Martin	43,017	–	–	–	43,017	43,017	–
Selina Lightfoot	43,017	–	–	–	43,017	43,017	–
Michelle Terry	43,017	–	–	–	43,017	43,017	–
David Whyte	–	–	–	–	–	–	–
Darryl Lasnitzki	201,606	262,710	–	(175,140)[1]	289,176	201,606	–
Chantelle Pritchard	–	–	–	–	–	–	–

1 Reflects portion of options that have lapsed upon Darryl Lasnitzki's resignation in June 2020.

6.3 Shareholdings of KMP[1]

Movement in shares of Nuchev Limited held directly, indirectly or beneficially, by each KMP, including their related parties:

	Balance as at 1 July 2019	Received during the year on exercise of options	Granted as Remuneration	Net Change Other#	Balance at the end of the year
Justin Breheny	606,667	–	–		606,667
Ben Dingle[1]	22,624,266	–	–	(1,851,069)[2]	20,773,197
Jeff Martin	80,000	–	–	–	80,000
Selina Lightfoot	113,334	–	–	–	113,334
Michelle Terry	40,000	–	–	–	40,000
David Whyte[1]	7,092,642	–	–	(6,819,847)[3]	272,975
Darryl Lasnitzki[1]	16,500	–	–	20,384#	36,884
Chantelle Pritchard	–	–	–	–	–

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length

1 Includes shares and options held directly, indirectly, and beneficially by KMP.

2 Reflects a total of 1,923,076 disposed through the year through the IPO process, with an additional 72,007 granted to settle shareholders fee liability.

3 Reflects shares issued to settle existing debt issued to Snowflake Holdings Pte Ltd and ADM Galleus Fund II Limited, with a total of 6,819,847 disposed as part of the IPO in December.

6.4 Other transactions and balances with KMP and their related parties

i. Loans to KMP and their related parties

There have been no loans provided to directors during FY20 and there is no outstanding balances, whether assets or liabilities as at the 30 June 2020.

	Balance at beginning of period $	Interest charged $	Interest not charged $	Write-off or allowance for doubtful debt $	Balance at end of period $	Number of KMP in group $
2020	–	–	–	–	–	–

ii. Details and terms and conditions of other transactions with KMP and their related parties

Marketing and selling expenses

During the year, purchases totalling $21,000 were made by Group companies to non-executive director Michelle Terry. These marketing services were provided at arm's length terms and have ceased following the IPO in December 2019.

Finance costs

During the year interest has been charged on loans to the Group by Snowflake Holdings Pte. Ltd (a related entity of ADM Capital) for total of 12% interest rate (10% net of withholding tax) which has been made on arm's length commercial terms. Total interest ($542,526) and accompanying borrowings provided by ADM Capital (as at 30 June 2019 $9,971,762) of which David Whyte is a KMP, was fully repaid in December 2020 prior to the IPO.

As part of the 30 May 2019 debt and equity transaction 402339 Pty Ltd, an entity associated with Ben Dingle, provided security over its shares to the Group's lender. Given the security benefits provided to the Group and its members, an appropriate fee was considered and approved by the Board and shareholders as part of the transaction, which accrued monthly until the underlying security ceased in December 2019. For the current year, $151,398 (2019: $28,619) was recognised as an expense and settled at $2.50 per share prior to the IPO.

iii. Amounts recognised at the reporting date in relation to the above

	2020 $
Expenses	
Marketing and selling expenses	21,000
Finance costs	693,924
Total expenses	**714,924**

REMUNERATION REPORT (END)

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the directors

Justin Breheny
Chair

Ben Dingle
Managing Director & Chief Executive Officer

Melbourne
Dated: 27 August 2020

Auditor's Independence Declaration

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Auditor's Independence Declaration to the Directors of Nuchev Ltd

As lead auditor for the audit of the financial report of Nuchev Ltd for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Nuchev Ltd and the entities it controlled during the financial year.

Ernst & Young

Kester C Brown
Partner

Melbourne
27 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June

	Notes	2020 $	2019 $
Revenue from contracts with customers	5	17,763,252	9,499,278
Cost of sales	8.3	(11,784,272)	(5,534,968)
Distribution, warehouse and logistics expenses		(1,089,666)	(599,736)
Marketing and selling expenses		(6,633,562)	(3,594,036)
Employment expenses	8.4	(4,014,475)	(3,545,734)
General and administration expenses		(4,245,231)	(1,250,034)
Other expenses		(611,244)	(3,606,476)
Livestock fair value adjustments	18	(338,100)	(620,482)
Farm operating costs		(64,891)	(1,354,786)
Operating (loss)		**(11,018,189)**	**(10,606,974)**
Other income	8.1	764,640	451,172
Finance income	8.2	127,491	76,907
Finance costs	8.2	(776,807)	(3,420,941)
(Loss) before tax		**(10,902,865)**	**(13,499,836)**
Income tax benefit	9	–	–
(Loss) for the year		**(10,902,865)**	**(13,499,836)**
Other comprehensive income		–	–
Total comprehensive (loss) for the year		**(10,902,865)**	**(13,499,836)**
Loss per share			
Basic (loss) per share	10	(0.27)	(0.56)
Diluted (loss) per share	10	(0.27)	(0.56)

Consolidated Statement of Financial Position

as at 30 June

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and short-term deposits	13	9,443,093	10,314,376
Trade and other receivables	14	3,274,201	1,121,804
Prepayments	15	1,433,965	608,329
Inventories	16	9,869,727	8,059,913
Other assets	17	90,840	26,533
		24,111,826	**20,130,954**
Non-current assets			
Biological assets – livestock	18	1,039,950	1,378,050
Property, plant and equipment	19	186,837	216,570
Intangible assets	20	1,796,839	1,939,385
Right-of-use assets	24	306,941	–
Other assets	17	67,362	73,399
		3,397,928	**3,607,404**
Total assets		**27,509,756**	**23,738,359**
Liabilities			
Current liabilities			
Trade and other payables	21	1,550,301	1,301,460
Government grants	22	–	63,881
Provisions	23	245,370	131,188
Lease liabilities	24	152,803	–
Other liabilities	25	12,929	117,480
		1,961,403	**1,614,009**
Non-current liabilities			
Borrowings	26	–	7,750,987
Embedded derivatives	26	–	2,220,775
Provisions	23	39,491	29,744
Lease liabilities	24	233,461	–
Other liabilities	25	–	28,619
		272,952	**10,030,125**
Total liabilities		**2,234,355**	**11,644,134**
Net assets		**25,275,400**	**12,094,225**
Equity			
Issued capital	27	81,703,396	58,642,899
Other capital reserves	28	1,319,465	295,922
Accumulated (losses)		(57,747,461)	(46,844,596)
Total equity		**25,275,400**	**12,094,225**

Consolidated Statement of Changes in Equity

for the year ended 30 June

	Note	Issued capital $	Other capital reserves $	Accumulated losses $	Total $
As at 1 July 2018		**28,722,593**	**163,598**	**(33,344,760)**	**(4,458,569)**
(Loss) for the year		–	–	(13,499,836)	(13,499,836)
Issue of share capital	27	30,287,466	–	–	30,287,466
Transaction costs on issue of share capital	27	(367,160)	–	–	(367,160)
Other capital reserves	28	–	132,324	–	132,324
At 30 June 2019		**58,642,899**	**295,922**	**(46,844,596)**	**12,094,225**
As at 1 July 2019		**58,642,899**	**295,922**	**(46,844,596)**	**12,094,225**
(Loss) for the year		–	–	(10,902,865)	(10,902,865)
Issue of share capital	27	25,180,015	19,968	–	25,199,983
Transaction costs on issue of share capital	27	(2,119,518)	–	–	(2,119,518)
Other capital reserves	28	–	1,003,575	–	1,003,575
At 30 June 2020		**81,703,396**	**1,319,465**	**(57,594,461)**	**25,275,400**

Consolidated Statement of Cash Flows

for the year ended 30 June

	Notes	2020 $	2019 $
Operating activities			
Receipts from customers		15,940,374	9,719,678
Payments to suppliers and employees		(27,049,529)	(18,189,504)
Interest received		125,434	76,787
Interest paid		(92,258)	(582,385)
R&D tax incentive received		381,227	338,947
Net cash flows (used in) operating activities	13	**(10,694,752)**	**(8,636,477)**
Investing activities			
Proceeds from sale of livestock		–	211,517
Purchase of livestock		–	(4,350)
Proceeds from disposal of assets held for sale		–	1,248,188
Proceeds from sale of property, plant and equipment		6,424	–
Purchase of property, plant and equipment		(43,041)	(173,387)
Purchase of intangible assets		(17,325)	(34,071)
Net cash flows (used in)/from investing activities		**(53,942)**	**1,247,897**
Financing activities			
Proceeds on issue of shares		48,654,598	10,000,000
Transaction costs on issue of shares		(4,267,170)	(367,161)
Repayment of selling shareholders		(23,654,600)	5,500,000
Repayment of lease liabilities		(66,720)	–
Transaction costs on borrowings		–	(110,000)
Repayment of borrowings		(10,790,403)	–
Net cash flows from financing activities		**9,875,705**	**15,022,839**
Net increase/(decrease) in cash and cash equivalents		(872,987)	7,634,259
Cash and cash equivalents at 1 July		10,314,376	2,681,245
Net foreign exchange difference		1,704	(1,128)
Cash and cash equivalents at 30 June	13	**9,443,093**	**10,314,376**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

1. Corporate information

The consolidated financial statements of Nuchev Limited and its controlled entities (collectively, the "consolidated group" or "Group" or "parent") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors. Nuchev Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the consolidated group during the financial year were the development, marketing and selling of premium Australian made goat nutritional products. The Group's registered office is 194 High Street, Belmont VIC 3216. The principal place of business is Level 10, 420 St Kilda Road, Melbourne Vic 3004.

Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report. Information on the Group's structure is provided in Note 4. Information on other related party relationships of the Group is provided in Note 30.

For the year ended 30 June 20 the Group made a loss after tax of $10,902,865 (2019: loss $13,499,836) and had an operating cash outflow of $10,694,752 (2019: operating cash outflow $8,636,477). Notwithstanding the historic financial performance, the Board considers the Group to be a going concern based on the cash available at balance date, capital raised post year end (See Note 32) and forecasted future results and cashflows for the next 12 months.

2. Significant accounting policies

The consolidated financial statements and notes represent those of Nuchev Limited and its controlled entities.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Australian Accounting Standards and interpretations as 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.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on a going concern basis, using an accrual basis and historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts presented in the financial statements have been rounded to the nearest dollar and are presented in Australian dollars.

The consolidated financial statements provide comparative information in respect of the previous period, and where necessary have been adjusted to conform to changes in the presentation for the current financial year.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement(s) with the other vote holders of the investee
  - Rights arising from other contractual arrangements
  - The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

b. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The impact of COVID-19 has also been considered in the assessment of market value prices participants use when pricing assets or liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

c. Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, 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 that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group also assesses the impact of leading macro-economic indicators such as GDP and interest rates which may affect the fair value of the Group's financial assets.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group also assesses the impact of macro-economic indicators and their impact on the fair value of the Group's financial assets. These involve but are not limited to:

- GDP
- Interest rates
- Currency rates
- Employment
- Confidence

These are assessed from both domestic and international levels, given the various markets which the Group operate in.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

d. Revenue recognition

The Group is in the business of the sale of goat milk-based formula and nutritional products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

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

- Formula and nutritional powders
- Milk sales
- Raw materials

Sale of products

For all revenue streams, the Group's contracts with customers include one performance obligation. The Group has concluded that revenue from the 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 they are picked up from the Group's warehouse. The Group recognises the revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and rebates.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue adjustment will occur. The volume rebates and rights of return give rise to variable consideration.

Volume rebates

Certain contracts provide customers with a volume rebate once the quantity of products purchased during a period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer or provided in the form of inventory. To estimate the variable consideration for the expected future rebates, the Group applies the most likely method for the contracts with a single volume threshold and expected value method for contracts with more than one volume threshold. The Group then recognises a refund liability for the future expected rebates.

Rights of return

Certain contracts provide customers with a right of return. The Group uses the expected value method to estimate goods that will be returned to determine the variable consideration to which the Group is entitled to. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability (refund liability – right of return). A refund asset – right of return (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from the customer.

Assets and liabilities arising from Right of return

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Costs to obtain a contract

The Group capitalised any costs that are directly related to obtaining a contract such as bonuses, share issues and legal costs. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. Otherwise these costs are amortised in accordance with the length of the contract obtained and included within general and administrative expenses. Costs to obtain a contract have been classified as "other assets" as at 30 June 2020.

e. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

f. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Research & development (R&D) tax incentives

R&D tax incentives received or receivable are accounted for under AASB 120 Government Grants as other income.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

g. Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

h. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

i. Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on an average cost basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

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

j. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

k. Biological assets

Biological assets comprise the Group's goat herd. Biological assets are measured at fair value less estimated costs to sell, with any change recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. The stipulated fair value of goats, was determined in accordance with the lease contract being $450.

In the prior period, the biological assets were valued at the estimated present value of the expected net cashflows, discounted at a current market rates. The valuation methods are as follows:

Type	Valuation method
Milking doe	Determined internally as there is no observable active liquid market. The fair value is calculated as the estimated present value of the expected net cash flows the asset could produce.
Goatling	Determined internally as there is no observable active liquid market. The fair value is calculated as the estimated present value of the expected net cash flows the asset could produce.
Kid and buck	Valued according to the market price of similar animals observed during the reporting period.

l. Property, plant and equipment

Property, plant and equipment are measured on the cost basis and are carried at cost less accumulated depreciation and any impairment losses. In the event the carrying amount is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses recognised in profit or loss.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs on qualifying assets and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Plant and equipment 3 to 40 years
- Leasehold improvements 1 to 3 years

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n. Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. We deem that development costs relating to product formulation have an indefinite life, where we assess annually for any impairment or changes to the indefinite life classification.

Licence related costs

Licence related costs relate to costs incurred in connection with the application for SAMR Brand Registration application, which would enable the Group to sell Chinese-label products within offline channels. Initial capitalisation of costs is based upon management's judgment that it is probable that the asset will generate future economic benefits and be recoverable.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. As a portion of the asset is not currently in use, there is no current period amortisation charge for this portion.

Trademarks and Software

The Group made upfront payments to acquire trademarks and software. The trademarks may be renewed at little or no cost to the Group. As a result, those licences are assessed as having an indefinite useful life. Software acquired externally are amortised in accordance with their useful lives which are assessed as two to five years.

A summary of the policies applied to the Group's intangible assets is, as follows:

	Licence related costs	Development costs	Trademarks	Software
Useful lives	Portion in use (3-5 years)/Not in use	Indefinite	Indefinite	Finite (2–5 years)
Amortisation method used	Portion in use amortised on a straight-line basis	No amortisation	No amortisation	Amortised on a straight-line basis
Internally generated or acquired	Acquired	Both	Acquired	Acquired

o. Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property, plant and equipment (Note 2.3 l)
- Intangible assets (Note 2.3 n)
- Right-of-use-assets (Note 2.3 p)

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 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 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. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

p. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office premises 2 – 5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (o) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade, other payables and provisions in the statement of financial position.

Other long-term employee benefits

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

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

r. Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 28.

That cost is recognised in employee benefits expense (Note 8.4), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

s. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to new share issues are shown in equity as a deduction from the proceeds.

2.4 New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time in 2020. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 Leases

AASB 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, AASB 16 does not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019.

Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

	1 July 2019 $
Assets	
Right-of-use assets	409,255
Total assets	**409,255**
Liabilities	
Lease liabilities	409,255
Total liabilities	**409,255**

The Group has lease contracts for various items of plant, machinery, and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2 (p) Leases for the accounting policy prior to 1 July 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2 (p) Leases for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. For all leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also not yet applied any of the available practical expedients, however will disclose the fact when it becomes applicable.

Based on the above, as at 1 July 2019:

- Right-of-use assets of $409,255 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of $409,225 were recognised and presented separately in the statement of financial liabilities as current and non-current liabilities.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2020 as follows:

	$
Operating lease commitments as at 30 June 2019	463,127
Weighted average incremental borrowing rate as at 1 July 2019	11.56%
Discounted operating lease commitments as at 1 July 2019	414,718
Less:	
Commitments relating to short-term leases	(5,462)
Commitments relating to leases of low-value assets	–
Add:	
Commitments relating to leases previously classified as finance leases	–
Lease payments relating to renewal periods not included in operating lease as at 30 June 2019	–
Lease liabilities as at 1 July 2019	**409,255**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

The Interpretation did not have an impact on the consolidated financial statements of the Group.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (Note 7)
- Financial instruments risk management (Note 12)
- Sensitivity analyses disclosures (Note 12)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory

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

Impairment of non-financial assets

Impairment of non-financial assets Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The Group has also considered the impact of COVID-19 on the fair value of its financial assets and in the calculation of the recoverable amount.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the infant nutrition sector, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The Group has also considered the forwarded looking impacts the effect of COVID-19 within the calculation and estimate of ECLs.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 14.

Share-based payments

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 or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions at the grant date, the Group uses the Black-Scholes-Merton. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

Revenue recognition – Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of goat nutritional formula and powders with rights of return and volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

License costs

The Group has capitalised costs related to its application for a SAMR Brand Registration License. Initial capitalisation of costs is based upon managements judgement that it is probable that future economic benefits attributable to the license will occur upon granting of the SAMR Brand Registration License. Management continually assesses the probability of the granting of the SAMR license and hence the recoverability of capitalised costs.

The Group remains confident that the application for SAMR registration for its Chinese-label products will be successful, however the timing remains uncertain. However, if the assessment of risk associated with the cash flows for Chinese label products changes or the application is rejected this will trigger the requirement for the Group to assess the carrying value of its capitalised costs.

COVID-19 considerations

The ongoing and evolving COVID-19 pandemic has increased both estimation and judgement uncertainty in the preparation of financial statements, generally through the impact of the following factors:

- Extent and duration of the pandemic and the varying responses of governments and businesses globally
- Impact of government measures on the movement of people, which has an impact on the Daigou channel
- Impact of governmental shutdown measures which may impact international logistics and supply chains
- Impact of the pandemic on global economies and geo-politics.

Specifically for the Group, there has been little impact through the effects of COVID-19, manufacturing infant formula products which are considered essential goods. However in respect of the key judgements, the impact of COVID-19 is particularly relevant and has been considered by management for the following areas:

- Recoverability of trade receivables (Note 14)
- Impairment of Intangible assets (Note 20)

4. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest	
			2020	2019
Nuchev Food Pty Ltd	Manufacture and sale of goat based nutritional products	Australia	100%	100%
Nanny Grove Pty Ltd	Nil activity	Australia	100%	100%
Nuchev Property Pty Ltd	Nil activity	Australia	100%	100%

The subsidiaries listed above have share capital consisting solely of ordinary shares, which are held directly by the parent entity. The assets, liabilities, income and expenses of the subsidiaries have been consolidated on a line-by-line basis in the consolidated financial statements of the Group.

Subsidiary financial information used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Significant restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

5. Revenue from contracts with customers

5.1 Disaggregated revenue information

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

	2020 $	2019 $
Type of good		
Formula and nutritional powders	16,607,000	8,692,599
Goat milk	–	516,279
Raw materials	1,156,252	290,400
Total revenue from contracts with customers	**17,763,252**	**9,499,278**
Geographical markets		
Australia	12,850,688	6,939,562
China	4,912,564	2,559,716
Total revenue from contracts with customers	**17,763,252**	**9,499,278**
Timing of revenue recognition		
Goods transferred at a point in time	**17,763,252**	**9,499,278**

The disclosure above is consistent with revenue from contracts with customers that is presented in segment information (Note 6)

5.2 Right of return assets and refund liabilities

	2020 $	2019 $
Right of return assets	5,240	26,533
Refund liabilities	(12,929)	(43,740)

5.3 Performance obligations

Information about the Group's performance obligations are summarised below:

Goat formula, nutritional powders, milk and raw material sales

The performance obligation is satisfied upon delivery of the product with payment generally due within 30 to 90 days from delivery.

6. 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 performance.

In 2019 and 2020 the Group had one operating segment being goat formula, nutritional powders and products. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as presented to the chief operating decision maker.

Segment performance is monitored at the EBITDA level (excluding livestock fair value adjustment) with EBITDA reconciled as follows:

	2020 $	2019 $
Earnings/(loss) before interest, tax, amortisation and depreciation (EBITDA)	9,452,998	9,191,900
Depreciation, amortisation and impairment	334,960	266,513
Livestock fair value adjustments	338,100	620,482
Finance costs	776,807	3,420,941
Loss before tax	**10,902,865**	**13,499,836**

Geographical Information

	2020 $	2019 $
Net revenue		
Australia	12,850,688	6,939,562
China	4,912,564	2,559,716
	17,763,252	**9,499,278**

The chief operating decision maker also monitors the location of customer sales. Revenue information in the table above is allocated on the location of the Group's customers.

During the period the Group had three customers who generated more than 10% of the Group's revenues. For the year ended 30 June 2020, the revenue for these customers amounted to $11,040,917 (2019: $4,339,263).

7. Capital management

For the purpose of the Group's capital management, capital includes issued capital and other equity reserves. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in the economic conditions and the availability of capital sources. To maintain or adjust the capital structure, the Group may issue new shares and/or increase debt.

	2020 $	2019 $
Borrowings	–	9,971,762
Lease liabilities	386,264	–
Trade and other payables	1,550,301	1,301,460
Less: Cash and short-term deposits	(9,443,093)	(10,314,376)
Net debt	**(7,506,528)**	**958,846**
Equity	25,275,400	12,094,225
Capital and net debt	**17,768,872**	**13,053,071**
Gearing ratio	**-42%**	**7%**

There have been no breaches of financial covenants of any borrowings in the prior period. No changes were made in the objectives, policies or processes for managing capital during the period.

8. Other income/expenses

8.1 Other income

	2020 $	2019 $
R&D tax incentive	381,227	338,947
Grants received	200,017	90,255
Rental income	170,972	4,637
Sundry income	12,424	15,068
Rebates received	–	2,265
Total other income	**764,640**	**451,172**

8.2 Finance income and costs

	2020 $	2019 $
Finance income		
Interest income	**127,491**	**76,907**
Finance costs		
Interest on debts and borrowings	2,793,193	3,086,745
Interest on lease liabilities	48,499	–
Fees and charges	155,890	75,415
Amortisation of transaction costs	–	767,693
Unwinding of discount to face value of convertible note	–	171,250
Fair value adjustment of convertible note	–	(680,162)
Fair value adjustment on embedded derivative	(2,098,347)	–
Loss/(gain) on derecognition of embedded derivative	(122,428)	–
Total finance costs	**776,807**	**3,420,941**

The fair value adjustment of the convertible note and embedded derivative are detailed as per Note 26.

8.3 Loss for the year

	2020 $	2019 $
Included in cost of sales:		
Costs of inventories recognised as an expense	11,784,272	5,534,968
Included in marketing and selling expenses:		
Share based payments – other	772,000	–
Included in general and administration expenses:		
Depreciation and amortisation expenses	301,956	116,373
Transaction costs associated with the IPO	2,147,652	–
Included in other expenses:		
Net foreign exchange losses	367,510	1,532,880
Loss on reclassification of assets held for sale	–	20,212
(Gain)/Loss on disposal of property, plant and equipment	(6,424)	149,309
Impairment of assets	33,004	150,141
Inventory obsolescence	81,113	389,368
Inventory provision	(188,922)	1,104,897
Research costs (manufacturing)	214,649	151,253

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and they are recognised in other expenses.

Included within inventory provision for the year was a reversal of $280,720. This related to inventory that was provided for as at the 30 June 2019 but consumed during FY20.

8.4 Employment expenses

	2020 $	2019 $
Included in employment expenses		
Wages and salaries	3,568,346	3,167,374
Post-employment benefits other than pensions	280,186	246,036
Share option payment expense	165,943	132,324
Total employee benefits expense	**4,014,475**	**3,545,734**

Change in classification

During the current year the Group modified the consolidated statement of comprehensive income classification of $151,120 (2019: $106,943) employment expenses from 'general and administrative expenses' to 'employment expenses' to reflect more appropriately the nature of the expenses. Comparative amounts in the consolidated statement of comprehensive income were reclassified for consistency.

9. Income tax expense

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

Consolidated statement of profit or loss	2020 $	2019 $
Current income tax:		
Current income tax	–	–
Adjustments in respect of current income tax of previous year	–	–
	–	–
Deferred tax:		
Relating to origination and reversal of temporary differences	–	–
Income tax (benefit) reported in the statement of profit or loss	–	–

Reconciliation of tax expense and the accounting profit for 2020 and 2019:

	2020 $	2019 $
Accounting (loss) before income tax	(10,902,865)	(13,499,836)
At Australia's statutory income tax rate of 27.5%	(2,998,288)	(3,712,455)
Non-taxable/deductible income/expenses for tax purposes:		
R&D tax incentive exempted from tax	(104,838)	(93,210)
Non-assessable income	(13,750)	–
Non-deductible expenses	433,062	54,208
Other deductible expenses	–	(102,102)
Current year movement in deferred tax not recognised	22,186	550,753
Current income tax losses not recognised at 27.5%	2,661,627	3,302,806
Income tax expense/(benefit) reported in the statement of profit or loss at the effective income tax rate of 0%	**–**	**–**

The Group has unrecognised carried forward tax losses which are subject to meeting the carry forward tax loss rules in the year of utilisation. The Group has unconfirmed carried forward tax effected losses of $13,866,789 (2019: $11,239,235) at the tax rate of 27.5%. The deferred tax asset in respect of these losses has not been recognised until it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, and the carry forward tax loss rules have been met.

10. Loss per share ("LPS")

Basic LPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The Group has not included granted options and rights that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the period presented.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2020 $	2019 $
Loss used to calculate basic and diluted LPS	(10,902,865)	(13,499,836)
Weighted average number of ordinary shares for basic LPS	40,709,096	24,219,242
Basic LPS (dollars)	(0.27)	(0.56)
Diluted LPS (dollars)	(0.27)	(0.56)

11. Financial assets and financial liabilities

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, borrowings from related parties and third parties.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 9: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

11.1 Financial assets

	2020 $	2019 $
Debt instruments at amortised cost		
Cash and short-term deposits (Note 13)	9,443,093	10,314,376
Trade and other receivables (Note 14)	3,274,201	1,121,804
Other assets (Note 17)	67,362	73,399
Total financial assets	**12,784,656**	**11,509,579**
Total current	**12,717,294**	**11,436,180**
Total non-current	**67,362**	**73,399**

11.2 Financial liabilities

	2020 $	2019 $
Financial liabilities		
Trade and other payables (Note 21)	1,550,301	1,301,460
Borrowings (Note 26)	–	7,750,987
Embedded derivatives (Note 26)	–	2,220,775
Total financial liabilities	**1,550,301**	**11,273,222**
Total current	**1,550,301**	**1,301,460**
Total non-current	**–**	**9,971,762**

12. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Executive Leadership Team ("ELT") oversees the management of these risks. The Group's ELT is supported by the Audit & Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Counterparty risk

Counterparty risk is the risk of financial loss if a counterpart to a financial instrument fails to meet its contractual obligations and arises principally from the Group's bank accounts (Note 13). As at the balance date the Group's bank accounts were held with the Australian New Zealand Bank, being a top tier Australian bank.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal exposure to the risk of changes in market interest rates given the Group has no debt obligations at 30 June 2020.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The table below indicates material exposure and sensitivity movements in exchange rates on the profit and loss of the Group based on the closing exchange rates as 30 June, applied to the Group's financial assets and liabilities at 30 June:

Foreign currency sensitivity

Assets/Liabilities at 30 June 2020	Currency	Exposure	AUD	+/-5% mvmt pre tax P&L impact $
Cash and short-term deposits	RMB	193,512	39,881	(1,899)/2,099
Cash and short-term deposits	USD	1,945	2,834	(135)/149
Trade and other receivables	RMB	1,367,113	281,745	(13,416)/14,829
Trade and other receivables	USD	–	–	–
Trade and other payables	RMB	(603,147)	(124,301)	5,919/(6,542)
Trade and other payables	USD	–	–	–
Other assets	RMB	302,600	62,362	(2,968)/3,283

Assets/Liabilities at 30 June 2019	Currency	Exposure	AUD	+/-5% mvmt pre tax P&L impact $
Cash and short-term deposits	RMB	219,715	45,602	(2,172)/2,400
Cash and short-term deposits	USD	9,836	14,026	(668)/738
Trade and other receivables	RMB	734,932	152,536	(7,264)/8,028
Trade and other receivables	USD	–	–	–
Trade and other payables	RMB	(500,651)	(103,910)	4,948/(5,469)
Trade and other payables	USD	(2,500)	(3,565)	170/(188)
Borrowings	USD	(6,993,197)	(9,971,762)	474,846/(524,830)

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bank facilities and capital. The Group's expected liquidity at each reporting period is as follows:

	On demand $	< 3 months $	3-12 months $	1-5 years $	> 5 years $	Total $
At 30 June 2020						
Trade and other payables	–	1,550,301	–	–	–	1,550,301
Lease liabilities	–	38,201	114,602	323,011	–	475,814
	–	**1,588,502**	**114,602**	**323,011**	**–**	**2,026,115**

	On demand $	< 3 months $	3-12 months $	1-5 years $	> 5 years $	Total $
At 30 June 2019						
Trade and other payables	–	1,301,460	–	–	–	1,301,460
Borrowings – Facility A	–	–	7,750,987	–	–	7,750,987
Borrowings – Embedded derivative	–	–	2,220,775	–	–	2,220,775
	–	**1,301,460**	**9,971,762**	**–**	**–**	**11,273,222**

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed through policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on past history and the customer onboarding process. Outstanding customer receivables and contract assets are regularly monitored for the risk of non-repayment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year outstanding. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. Given the impact on COVID-19, the Group considered any potential cashflow and liquidity issues with its customer base and potential credit losses expected.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

30 June 2020	Current	One month	Two months	Three months +	Total $
Expected credit loss rate	**1.00%**	**1.50%**	**2.00%**	**100%**	**1.39%**
Estimated total gross carrying amount at default	2,650,504	195,042	324,518	8,307	3,178,371
Expected credit loss	**26,505**	**2,926**	**6,490**	**8,307**	**44,228**

30 June 2019	Current	One month	Two months	Three months +	Total $
Expected credit loss rate	**0.27%**	**0.28%**	**0.38%**	**100.00%**	**3.41%**
Estimated total gross carrying amount at default	567,290	326,901	101,768	31,371	1,027,330
Expected credit loss	**1,545**	**931**	**386**	**31,371**	**34,233**

13. Cash and short-term deposits

	2020 $	2019 $
Cash at bank and on hand	7,113,093	9,984,376
Short-term deposits	2,330,000	330,000
	9,443,093	**10,314,376**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

At 30 June 2020, the Group had available $2,250,000 (2019: $250,000) of undrawn committed borrowing facilities.

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Collateral requirements are as follows:

- Loan facility – $2,000,000
- Trade credit facility – $250,000
- Bank rental guarantees – $80,000

Both the loan and trade credit facility remain undrawn as at the 30 June 2020.

For the purpose of the statement of cash flows, cash and short-term deposits comprise the following at 30 June:

	2020 $	2019 $
Cash at bank and on hand	7,113,093	9,984,376
Short-term deposits	2,330,000	330,000
	9,443,093	**10,314,376**

	2020 $	2019 $
Cash flow reconciliation		
Reconciliation of net (loss) before tax to net cash flows from operations:		
(Loss) before tax	(10,902,865)	(13,499,836)
Adjustments to reconcile (loss) before tax to net cash flows:		
Depreciation of property, plant and equipment	142,085	71,359
Impairment of property, plant and equipment	33,004	150,141
Amortisation and impairment of intangible assets	159,871	45,012
(Gain)/Loss on disposal of property, plant and equipment	(6,424)	169,521
Livestock fair value adjustments	338,100	620,482
Share-based payment expense	937,943	132,324
Finance costs	680,057	2,894,733
Net foreign exchange differences	258,267	1,563,251
Movements in provisions	123,929	38,342
Transaction costs on IPO	2,147,652	–
Provision for expected credit losses	36,084	19,568
Working capital adjustments:		
(Increase)/decrease in trade receivables and other assets	(2,986,787)	(499,560)
Decrease/(increase) in inventories	(1,809,814)	(834,229)
Increase/(decrease) in trade and other payables	154,146	492,416
Net cash flows used in operating activities	**(10,694,752)**	**(8,636,477)**

14. Trade and other receivables

	2020 $	2019 $
Trade receivables	3,178,371	1,027,330
Allowance for expected credit losses	(44,228)	(34,233)
	3,134,143	993,097
Accrued income	3,251	51,222
Other receivables	57,526	–
Net GST receivable	79,281	77,485
	3,274,201	**1,121,804**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020 $	2019 $
At 1 July	(34,233)	(92,019)
Provision for expected credit losses	(36,084)	38,218
Write-off	26,089	19,568
At 30 June	**(44,228)**	**(34,233)**

The significant changes in the balances of trade receivables are disclosed in Note 14 while the information about the credit exposures are disclosed in Note 12.

15. Prepayments

	2020 $	2019 $
Inventory prepayments	1,161,136	516,362
Other	272,829	91,966
	1,433,965	**608,328**

16. Inventories

	2020 $	2019 $
Raw materials (at cost)	2,414,385	2,920,899
Work in progress (at cost)	3,208,297	2,756,873
Finished goods (at cost)	5,034,478	3,459,925
Less: Provision	(787,433)	(1,077,784)
	9,869,727	**8,059,913**

17. Other assets

	2020 $	2019 $
Current		
Incremental costs of obtaining a contract	85,600	–
Right of return asset	5,240	26,533
	90,840	**26,533**
Non-current		
Rental bond	686	6,724
Deposits	66,676	66,675
Total other assets	**67,362**	**73,399**

18. Biological assets – livestock

	2020 $	2019 $
Non-current		
Goats – at fair value less estimated sale costs	1,039,950	1,378,050

Movements in carrying amounts of biological assets:

	Goats No	Goats $
At 1 July 2019		1,378,050
Gain/(loss) from changes in fair value less estimated sale costs		(338,100)
At 30 June 2020	**2,311**	**1,039,950**
At 1 July 2018		2,205,700
Purchases of livestock		4,350
Sales of livestock		(211,517)
Gain/(loss) from changes in fair value less estimated sale costs		(620,483)
At 30 June 2019	**2,311**	**1,378,050**

In July 2019, the Group reached an agreement to lease out its goat herd to an arm's length party for a 2 year period after which the equivalent goats (same number, age, health status, pregnancy status) would be returned. This preserves the number of goats and their physical health and age. As at 30 June 2020 the goats are valued at the value agreed by the parties under the lease agreement, being $450.

The fair value of livestock assets in their fair value hierarchy for the year ended 30 June 2020:

Fair Value	Goat type	Head	Value/head	$
Level 3	Average value per head	**2311**	450	**1,039,950**

The fair value of livestock assets in their fair value hierarchy for the year ended 30 June 2019:

Fair Value	Goat type	Head	Value/head	$
Level 3	Goatling Doe	57	450	25,650
Level 3	Milking Doe	2,211	600	1,326,600
Level 3	Breeding Buck	43	600	25,800
		2,311		**1,378,050**
Average value per head				$596

Applying sensitivities to the key fair value input has the following fair value impacts on biological assets:

	2020 $	2019 $
Market price per goat (+10%/-10%)	103,995/(94,541)	137,042/(125,908)

19. Property, plant and equipment

	2020 $	2019 $
Leasehold improvements:		
At cost	64,515	56,826
Accumulated depreciation	(56,826)	(56,826)
	7,689	–
Plant and equipment:		
At cost	459,902	516,318
Accumulated depreciation and impairment	(280,754)	(299,748)
	179,148	216,570
Total property, plant and equipment	**186,837**	**216,570**

	Leasehold improvements $	Plant and equipment $	Total $
Cost			
At 1 July 2019	–	216,570	216,570
Additions	7,689	35,352	43,041
Disposals/Refunds	–	–	–
Impairment	–	(33,004)	(33,004)
Depreciation	–	(39,770)	(39,770)
At 30 June 2020	**7,689**	**179,148**	**186,837**

	Leasehold improvements $	Plant and equipment $	Total $
Cost			
At 1 July 2018	7,819	406,175	413,994
Additions	36,586	136,801	173,387
Disposals/Refunds	(17,873)	(131,438)	(149,311)
Impairment	(1,472)	(148,669)	(150,141)
Depreciation	(25,060)	(46,299)	(71,359)
At 30 June 2019	**–**	**216,570**	**216,570**

20. Intangible assets

Licence related cost	2020 $	2019 $
Prepaid licence related cost:		
At cost	1,473,462	1,473,462
Accumulated amortisation	(152,976)	–
	1,320,486	1,473,462
Development costs:		
At cost	227,830	227,830
Trademarks:		
At cost	235,521	220,474
Software:		
At cost	204,105	201,827
Accumulated amortisation	(191,103)	(184,208)
	13,002	17,619
Total intangible assets	**1,796,839**	**1,939,385**

Management has assessed its intangible assets for impairment during the year by comparing the recoverable amount with their carrying amount as at 30 June 2020. The recoverable amount is estimated based on value in use. For licence related costs, the carrying amount represents the prepaid costs associated with Nuchev's brand registration application process with China State Administration for Market Regulation (SAMR).

While the SAMR evaluation, audit and inspection processes have been delayed due to COVID-19 pandemic, management is still of the view that the inspection will proceed in the future.

Development costs which have been classified as indefinite life are assessed annually for any impairment factors. These involve any potential discontinuation of products, significant changes to formulation which may impact on its indefinite life classification.

Movements in carrying amounts of intangible assets

	Development costs $	Licence related costs $	Trademarks $	Software $	Total $
Cost					
At 1 July 2019	227,830	1,473,462	220,474	17,619	1,939,385
Additions	–	–	15,047	2,278	17,325
Disposals	–	–	–	–	–
Impairment	–	–	–	–	–
Amortisation	–	(152,976)	–	(6,895)	(160,871)
At 30 June 2020	**227,830**	**1,320,486**	**235,521**	**13,002**	**1,796,839**

	Development costs $	Licence related costs $	Trademarks $	Software $	Total $
Cost					
At 1 July 2018	227,830	1,473,462	200,957	48,077	1,950,326
Additions	–	–	19,517	14,554	43,245
Disposals	–	–	–	–	–
Impairment	–	–	–	–	–
Amortisation	–	–	–	(45,012)	(45,012)
At 30 June 2019	**227,830**	**1,473,462**	**220,474**	**17,619**	**1,939,385**

21. Trade and other payables

	2020 $	2019 $
Trade payables	869,608	708,499
Other payables and accrued expenses	680,693	565,933
Deposits refundable	–	27,028
	1,550,301	**1,301,460**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Other payables are non-interest payable and have an average term of three months
- Deposits are held from customers as security. These are recognised as liabilities given their right to refund.

22. Government grants

	2020 $	2019 $
At 1 July	63,882	67,167
Received during the year	200,000	86,970
Released to the statement of profit or loss	(200,017)	(90,256)
Grant funds returned	(63,865)	–
At 30 June	**–**	**63,881**

Government grants have been received for assistance in exporting Australian made products to overseas markets.

There are no unfulfilled conditions or contingencies attached to these grants.

The Cooperative Research Centres Project ("CRCP") was successfully completed in FY19. As stipulated within the grant agreement, any surplus unused funds were to be returned, with $63,865 repaid in FY20.

23. Provisions

	Annual leave $	Long service leave $	Total $
At 1 July 2019	131,188	29,744	160,932
Arising during the year	261,494	9,748	271,242
Utilised	(147,312)	–	(147,312)
At 30 June 2020	**245,370**	**39,492**	**284,862**

	Annual leave $	Long service leave $	Total $
At 1 July 2018	109,457	13,134	122,591
Arising during the year	191,290	16,160	207,900
Utilised	(169,559)	–	(169,559)
At 30 June 2019	**131,188**	**29,744**	**160,932**

	2020 $	2019 $
Total current	**245,370**	**131,189**
Total non-current	**39,492**	**29,744**

Provision for employee benefits

The current portion for this provision includes the total amount accrued for annual leave entitlements. Based on past experience, the Group does not expect the full amount of the annual leave balance classified as current liabilities to be settled within the next 12 months. However, these amounts are classified as current liabilities as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

24. Leases

Group as a lessee

The Group has lease contracts for the rental of office spaces for its operations. Leases of office spaces generally have lease terms between two and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of office equipment which are less than 12 months and considered to be of low value.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Office spaces $
As at 1 July 2019	409,255
Additions	–
Depreciation expense	(102,314)
As at 30 June 2020	**306,941**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	$
As at 1 July 2019	409,255
Addition	–
Interest	48,500
Payments	(71,491)
As at 30 June 2020	**386,264**
Current	152,803
Non-current	233,461

The following are the amounts recognised in profit or loss:

	2020 $
Depreciation of right-of-use assets	102,314
Interest expense on lease liabilities	48,500
Expense relating to short-term leases	56,963
Expense relating to leases of low-value assets	1,632
Total amount recognised in profit or loss	**209,409**

The Group had total cash outflows for leases of $71,491 in 2020. The lease contracts for office spaces contain fixed rental increases and no variable payments, termination options or extensions. Total weighted average lease term is 3 years.

Group as lessor

The Group during FY20 entered into an operating lease on its goat herd and some accompanying PP&E. The lease has a remaining term of one year, which expires on the 30 June 2021.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2020 $
Within one year	120,081
After one year but not more than five years	–
More than five years	–
	120,081

25. Other liabilities

	2020 $	2019 $
Current		
Non-resident withholding tax	–	73,740
Contract liability – right of return	12,929	43,740
	12,929	117,480
Non-current		
Shareholder's fee	–	28,619
	–	28,619
Total other liabilities	**12,929**	**146,099**

Shareholder's fee

As part of the 30 May 2019 debt and equity transaction 402339 Pty Ltd, an entity associated with Ben Dingle, provided security over its shares to the Group's lender. Given the provided security benefits the Group and its members, an appropriate fee was considered and approved by the Board and shareholders as part of the transaction, which accrued monthly until the underlying security ceased. For the current year, $151,398 (2019: $28,619) was recognised as an expense and settled at $2.50 per share prior to the IPO.

26. Borrowings

	Rate	Maturity	2020 $	2019 $
Interest-bearing loans and borrowings				
Loans – Snowflake Holdings Pte. Ltd				
Facility A:	12%	Dec 2020	–	7,750,987
Facility A: Embedded derivative		Dec 2020	–	2,220,775
			–	9,971,762
Total interest-bearing loans and borrowings			**–**	**9,971,762**

26.1 Changes in interest-bearing loans and borrowings arising from financing activities

	Loans – Snowflake Holdings Pte. Ltd $
At 1 July 2019	7,750,987
Finance cost	2,779,444
Foreign exchange movement	259,971
Cashflow	(10,790,402)
At 30 June 2020	**–**

	Loans – 402339 Pty Ltd $	Loans – Snowflake Holdings Pte. Ltd $
At 1 July 2018	2,270,259	17,912,168
Cash flows	–	5,019,696
Foreign exchange movement	–	1,510,589
Conversion to equity	(2,555,865)	(17,731,604)
Fair value adjustment of embedded derivative	–	(278,946)
Amortisation of transaction costs	–	767,693
Finance costs	285,606	2,772,185
At 30 June 2019	**–**	**9,971,762**

Loan – 402339 Pty Ltd

In June 2017 the Group entered into a loan agreement with 402339 Pty Ltd, an entity associated with Ben Dingle, and drew down $2 million. The loan was subordinated to borrowings from Snowflake Holdings Pte. Ltd, and bore interest at 12% per annum with interest accrued on to the principal loan balance. In addition, during 2019 certain commitments and guarantees were provided on behalf of the Group on a commercial basis to facilitate bridging facilities for the Group, which were included in the interest fee.

As at 30 May 2019, the outstanding principal, accrued interest and commitment fee at that time ($2,555,865) were settled in full by the issue of 1,022,346 shares at $2.50 per share.

Loans – Snowflake Holdings Pte. Ltd

On 2 September 2016 the Group signed a facility agreement with Snowflake Holdings Pte. Ltd to provide debt funding of up to $20 million, denominated in US dollars (USD) and interest bearing.

The facility had two components:

- Facility A: being interest bearing loans split across various tranches; and
- Facility B: a convertible note.

The facility agreement had a three year maturity, with two one year extensions at the discretion of the lender.

The facility was secured against the assets of the Group.

The facility agreement was amended in December 2018, and then again in May 2019 as part of the 30 May 2019 debt and equity transaction, whereby:

- Facility A: was partially converted by the issue of 4,188,511 shares at $2.50 per share at that time ($10,471,277). The remaining debt outstanding is described below.
- Facility B: was converted in full settlement by the issue of 2,904,131 shares at $2.50 per share at that time ($7,260,327).

Facility A (amended, post 30 May 2019)

As at 30 May 2019 $10 million (USD 6,933,850) was outstanding accruing PIK interest ('PIK' is payment in kind such that interest is accrued on to the principal loan balance quarterly) at 12% per annum with a maturity date of 31 December 2020. The above interest rate was net of withholding tax, which was 10% on incurred interest where applicable.

The debt, denominated in US dollars, was convertible at the discretion of the lender in full settlement of the principal loan and accrued interest at the lower of $2.50 per share or in the event of an Initial Public Offer ("IPO") the IPO price. The Group could not avoid the contractual obligation to pay cash, which was at the lender's discretion, with the conversion right or embedded derivative based on a variable number of shares, and as such classified as a financial liability. Under AASB 9 the embedded derivative was separated from the host contract, valued first and the residual value assigned to the debt host liability.

Prior to the IPO, the lender elected not to utilise the conversion right with the debt fully repaid on 6 December 2019 following all security held by the lender was released. See below movement in Facility A.

	2020 $	2019 $
At 1 July	2,220,775	434,071
Transition to AASB 9	–	229,948
Recognition of Facility A: Embedded derivative	–	2,236,918
Fair value adjustment of embedded derivative	(2,098,347)	(680,162)
(Gain) on decrecognition of embedded derivative	(122,428)	–
At 30 June	**–**	**2,220,775**

Other facilities

As part of its transactional banking arrangements, the Group has various facilities with the Australian and New Zealand Banking Group Limited. These are reviewed and renewed annually, and was most recently completed in June 2020 as follows:

- Loan facility up to $2,000,000 secured by term deposit
- Trade finance facility of $250,000
- Guarantee facility associated with various rental bond guarantees – $80,000
- Corporate credit card facility – limit of $70,000

27. Issued capital

	2020 $	2019 $
45,000,357 fully paid ordinary shares (2019: 35,305,286)	**81,703,396**	**58,642,899**

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote.

Movement in issued share capital:

	Number of shares	$
Ordinary shares issued and fully paid		
At 1 July 2018	**23,190,298**	**28,722,593**
Shares issued	12,114,988	30,287,466
Equity related transaction costs	–	(367,160)
At 30 June 2019	**35,305,286**	**58,642,899**
Shares issued	9,695,071	25,180,015
Equity related transaction costs	–	(2,119,518)
At 30 June 2020	**45,000,357**	**81,703,396**

Fully paid ordinary shares carry one vote per share and are entitled to dividends.

On 9 December 2019 the Group completed an IPO (Initial Public Offering) as follows:

- 9,615,384 new shares were issued at $2.60 per share for $25 million in primary proceeds;
- 7,680 new shares were issued for nil consideration as part of the employee gift offer;
- 72,007 new shares were issued at $2.50 per share in full settlement of the Shareholder's fee at that time (refer Note 25 for further information);
- 9,097,923 existing shares were sold by shareholders at $2.60 per share as part of the IPO process, with approximately $23.7 million of secondary proceeds paid out to the selling shareholders; and
- Approximately $4.4 million of transaction costs were incurred through the IPO process, of which $2.26 million has been expensed in the profit and loss with the remaining amount of $2.19 million recognised against the share capital raised.

28. Other capital reserves

	2020 $	2019 $
Balance at the beginning of the period	295,922	163,598
Share-based payments – employee	165,943	132,324
Share-based payments – other	857,600	–
Balance at the end of the period	**1,319,465**	**295,922**

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, directors and strategic partners. These plans are detailed below:

Share-based payments

Share based payments – FY20 Employee LTI Plan

In December 2019 as part of the IPO the following options and share rights were granted:

- 1,509,560 options for senior executives (including the CEO) for no cost. The options have an exercise price of $2.60 per option and vest after three years across three equal tranches subject to meeting both performance conditions (tranche 1 and 2) and continuous employment (all tranches) to 30 June 2022. Options expire five years after grant and do not carry dividend or voting rights prior to exercise. Options lapse on cessation of employment, subject to Board discretion. The fair value of the options at grant date was $0.649 per option determined using a Black Scholes Merton Model which included amongst other factors the following values:
  - Exercise price – $2.60
  - Term of option – 3 years
  - Weighted average share price – $2.60
  - Expected dividend yield – 0%
  - Expected volatility – 35%
    - Volatility has been primarily been determined using the historical coefficient calculation of ASX listed companies in a similar peer group, in conjunction with linear regression of similar size and growth profile companies.
  - Risk free rate – 1%
- 23,076 share rights for long term employees for no cost. The share rights convert to an equal number of shares on vesting which occurs with continuous employment three years from the date of listing being 9 December 2022. There are no performance conditions attached to the share rights. Share rights do not carry dividend or voting rights prior to vesting. Share rights lapse on cessation of employment, subject to Board discretion. Rights have been valued consistently with the share options issued, refer to above inputs and valuation method used.

The above options and share rights are designed to provide long term incentives for senior executives and long term employees to deliver aligned shareholder value over time, as a talent retention and recruitment tool. Further details are contained the Group's Prospectus, section 6.3.4 Employee incentive arrangements.

In addition to the above 7,680 new shares were issued to employees as part of the employee gift offer (Note 27) and immediately expensed with reference to the $2.60 IPO price.

The share-based payment – employee comprises the ongoing legacy employee option plan, in addition to the new options, share rights and employee gift offer described above.

Vested options as at 30 June 2020 pertaining to employee share based payments were 463,108 (30 June 2019: 247,182). 280,227 options lapsed in the period..

Share-based payments – FY16/FY17 Employee LTI Plan

The Group's Board of Directors approved the establishment of an option plan in October 2016 ("Legacy Options"). The option plan was designed to provide long term incentives for senior managers and above (including directors) to deliver long term shareholder value and act as a key talent retention tool.

Under the plan, participants were granted in total 541,250 options which vested over three-time related cliffs being 20%, 30% and 50% of the options. The vesting conditions were on the anniversary of the first, second and third service year respectively. Unvested options lapse on termination at the discretion of the Board.

Options were granted for no consideration, have a 5-year expiry and have an exercise price of $2.50 per option which converts into one fully paid ordinary share.

The fair value of the options at grant date was $0.6622 per option determined using a Black Scholes Merton Model which included amongst other factors the following values:

- Exercise price – $2.50
- Term of option – 5 years
- Weighted average share price – $2.50
- Expected dividend yield – 0%
- Expected volatility – 40%
  - Volatility has been primarily been determined using the historical coefficient calculation of ASX listed companies in a similar peer group, in conjunction with linear regression of similar size and growth profile companies
- Risk free rate – 2%

During the FY20 year, a total of 463,108 options vested and are now exercisable. There have been no options exercised, forfeited or lapsed. Refer to "Reconciliation of share options" below for further detail.

Share-based payments – Distributor incentive

In August 2019 the Group entered into a multi-year distribution agreement relating to the sale and promotion of Oli6® products in the Australian wholesale export market. Under that arrangement Nuchev will issue ordinary shares on achieving specified annual volume thresholds, subject to the approval of the Board and applicable laws and regulations. The fee payable is not for a distinct good or service and is payable in shares, with the transaction accounted for under AASB 2 Share-based Payments. The estimated fair value of the ordinary shares is recognised as a sales and marketing related expense at grant date, being the date of the agreement, with a corresponding increase in the share-based payment reserve. The annual sales performance targets are considered to be non-vesting conditions with the full estimated fair value expense recorded upfront at the grant date.

Estimating the fair value requires determination of the most appropriate valuation methodology, determination of inputs to the valuation including the probability of achieving the annual volume thresholds, the relevant term, the estimated sales and product mix over the relevant term, the valuation of shares at grant date and the assumptions thereon.

The details of the fair value of the shares to be issued are as follows:

- Grant date: August 2019
- Estimated value at grant date: $2.50 per share
- Relevant period: 2 years
- Estimated number of shares to be issued: 405,000 shares over 2 years

Fair value expense: $772,000, incorporating the estimated probability of achieving the annual volume thresholds.

Share-based payments – Other

In June 2020 the Group entered into a variation of an agency agreement for the provision of consulting services. Under the arrangement Nuchev will issue ordinary shares to the consultant assisting the Group in entering into a contract to distribute its products and on the Group's products being registered for sale in certain export markets. The fee payable is for distinct services and is payable in shares, with the transaction accounted for under AASB 2 Share-based Payments.

The estimated fair value of the ordinary shares is recognised over time, as a general and administration expense, if they cannot be treated as an asset in accordance with an another AASB standard. This will be recognised over time from the signing date, with a corresponding increase in the share-based payment reserve. The achievement of both the objectives are considered to be non-vesting, non-market conditions.

Estimating the fair value requires determination of the most appropriate valuation methodology, determination of inputs to the valuation including the probability of achieving the non-vesting conditions over the relevant term.

The details of the fair value of the shares to be issued are as follows:

- Estimated value at grant date: $2.33 per share
- Relevant period: 3 years
- Estimated number of shares to be issued: 180,591 shares over 3 years

Incremental cost of obtaining a contract: $85,600, incorporating the estimated probability of achieving the entering of a contract to distribute the Groups products and having the Group's products being registered for sale in certain export markets.

As at the 30 June 2020, $85,600 has been recorded as an incremental cost to obtain the distribution agreement and will be amortised should the contract be signed over its life.

Options granted under the option plan

	VWAP $	Exercise price per option $	Number of options
At 1 July 2019	$2.50		541,250
Options granted		2.60	1,532,635
Options lapsed		2.60	(175,140)
At 30 June 2020	**2.57**		**1,898,745**
Vested options as at 30 June 2020 (2019: 247,182)			463,108

The weighted average remaining contractual life of the outstanding options as at 30 June 2020 is 4.3 years (2019: 2.5 years).

No options expired in the financial year.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were $165,943 (2019: $132,324).

Total expenses arising from share-based payment transactions recognised during the period as part of selling & marketing expense were $772,000 (2019: nil).

Reconciliation of share options/rights

Refer to below reconciliation of movement in share options/rights during the year:

	1 July 2019	Granted	Forfeited	Exercised	Expired	30 June 2020	Exercisable at 30 June 2020
Options/rights	541,250	1,532,635	(175,140)	–	–	1,898,745	463,108

29. Commitments and contingencies

The Group has a $600,000 contingent liability relating to capitalised expenditure, which is payable once SAMR brand registration is approved.

30. Related party disclosures

Note 4 provides information about the Group's structure, including details of the subsidiaries and the holding company.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Payments to related parties $	Interest/ Fees $	Amounts owed to related parties $
Entities with significant influence over the Group:				
Shareholder: 402339 Pty Ltd	2020	–	151,398	–
	2019	–	260,289	28,618
Shareholder: Snowflake Holdings Pte and related entities[i]	2020	–	542,526	–
	2019	–	2,712,996	9,971,762
Key management personnel of the Group				
Other directors' interests	2020	21,000	–	–
	2019	–	–	–

(i) Following the 30 May 2019 transaction referred to in Note 27, Snowflake Holdings Pte (related entity of David Whyte) and related entities became shareholders of the Group and have been classified as related parties.

Note 26 provides information about the loans from related parties of the Group. As part of the IPO in December all outstanding loans from related parties were repaid.

Transactions with key management personnel

Other directors' interests

During the year, purchases totalling $21,000 were made by Group companies to non-executive director Michelle Terry. These brand development and marketing services were provided at arm's length terms, and have ceased following the IPO in December 2019.

On 9 December 2019, 72,007 new shares were issued at $2.50 per share in full settlement of the Shareholders fee. 402339 Pty Ltd an entity associated with Ben Dingle, provided security over its shares to the Group's lender at the time ADM Capital. Given the provided security benefitted the Group and its members, an appropriate fee was considered and approved by the Board and shareholders as part of the IPO. This cost was settled via the issuance of equity via the IPO process in December for total of $180,016 ($151,398 interest in current year, with $28,618 outstanding as at 30 June 2019).

Compensation of key management personnel of the Group

	2020 $	2019 $
Short-term employee benefits	1,134,391	778,481
Post-employment benefits	74,011	52,900
Share-based payments	82,933	98,892
	1,291,335	**930,273**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

31. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

32. Events after the reporting period

On 29 July 2020, the Group announced on the ASX a capital raise undertaken by way of an accelerated non-renounceable entitlement offer ("Entitlement Offer") and institutional placement ("Placement"). The purpose of the capital raise is to provide balance sheet flexibility for growth and to fund working capital requirements.

A total of $9.0 million was raised in the institutional component of the Entitlement Offer, with $3.2 million raised through the Placement from the offer of new fully paid ordinary shares in the Group at an offer price of $2.33. Total issue of new shares of 5.3 million occurred on 5 August 2020, on payment of the subscription.

A further $3.0 million was raised in the Retail Entitlement Offer, from the offer of new fully paid ordinary shares in the Group. Eligible shareholders were invited to subscribe for 1 new share for every 8.75 existing Nuchev Shares held for an issue price of $2.33. Total issue of new shares of 1.3 million occurred on the 24 August 2020, on payment of the subscription.

33. Information relating to Nuchev Ltd (the Parent)

	2020 $	2019 $
Current assets	9,627,143	10,091,808
Total assets	44,854,952	46,158,000
Current liabilities	1,305,898	1,109,008
Total liabilities	39,491	11,139,133
Issued capital	81,703,396	58,642,899
Accumulated losses	(29,866,155)	(23,919,954)
Other capital reserves	1,319,465	295,922
(Loss) of the Parent entity	(5,966,199)	(8,823,379)
Total comprehensive (loss) of the Parent entity	(5,966,199)	(8,823,379)

Refer to Note 4 for information on the Parent's subsidiaries.

Contingent assets and contingent liabilities
There are no known contingent assets or contingent liabilities for the Parent.

34. Auditor's remuneration

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

	2020 $	2019 $
Audit fees – Ernst & Young	105,000	53,600
Transaction services IPO – Ernst & Young	305,800	–
Non-audit fees – Ernst & Young	–	–
	410,800	**53,600**

Directors' Declaration

In accordance with a resolution of the directors of Nuchev Limited, I state that:

1. In the opinion of the directors:
   a. the financial statements and notes of Nuchev Limited for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
   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. A statement of compliance with International Financial Reporting Standards is included in the Basis of Preparation and Accounting Policies in the Notes to the consolidated financial statements
3. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the directors.

Justin Breheny
Chair

Ben Dingle
Managing Director & Chief Executive Officer

Dated: 27 August 2020

Independent Auditor's Report to the members of Nuchev Limited

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Independent Auditor's Report to the Members of Nuchev Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nuchev Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

Independent Auditor's Report to the members of Nuchev Limited

Revenue recognition

Why significant	How our audit addressed the key audit matter
At 30 June 2020, the Group recorded revenue of $17.76 million. Revenue from the sale of goods is recognised when control of the goods is transferred to the customer. The Group recognises the revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and rebates (collectively accruals). Due to the diverse range of contractual agreements and commercial terms across the Group's customers and distributors, there is complexity and judgement in determining sales revenues. Accordingly, we consider this to be a key audit matter. Revenue is also an important element as to how the Group measures its performance and determines management incentives.	The procedures we performed with respect to revenue recognition were: • Performed process walkthroughs to understand the adequacy of the design of the revenue process for all significant types of customer contracts. • Performed testing of a sample of sales transactions from across the year by agreeing quantities sold to proof of delivery and sales price to the relevant contract with the customer or distributor. • Performed analytical review procedures through the year to understand the monthly sales profile. • Inspected a sample of contracts to assess that revenue recognition was in accordance with the contract terms and in compliance with the Accounting Standards. • Assessed the accounting for sales returns and discount arrangements and tested the accuracy of sales return accrual calculations with reference to historical trends. • Selected a sample of transactions just before and after year end to assess whether they were recorded in the correct period with reference to delivery dockets. • Tested journal entries recording revenue focusing on unusual or irregular transactions. • Reviewed the disclosures in the consolidated financial report to ensure they were consistent with the Group's policies and the Accounting Standards.

Prepaid licence-related costs

Why significant	How our audit addressed the key audit matter
Prepaid licence-related costs of $1.47 million were recorded, as intangible assets, in the Group's Consolidated Statement of Financial Position as at 30 June 2020. The Directors have considered the recognition, measurement and recoverability of the prepaid licence-related costs as at 30 June 2020.	We performed enquiries of management to understand the group's assumptions in relation to the recognition, measurement and recoverability of the prepaid licence-related costs. Our procedures included: • Tested a sample of expenditure items to contracts and invoices.

Building a better working world

Why significant	How our audit addressed the key audit matter
To the extent the intangible asset has a finite life benefit and is in-use that element of the cost is amortised over the estimated life. The Group undertook an assessment of the recoverability of the intangible assets at 30 June 2020 and concluded it remains appropriate to record the prepaid licence- related costs as an intangible asset. Given the judgement required in relation to the recognition, measurement and recoverability of prepaid licence -related costs we consider this a key audit matter.	• Assessed the component of the finite life intangible which is in-use and the component not in use. • Recalculated the amortisation relating to the element of the expenditure which is in-use. • Assessed management's assumptions with respect to the recoverability of the prepaid licence-related costs. We also assessed the disclosures in Notes 20 of the consolidated financial statements.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 30 June 2020 Annual Report but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Independent Auditor's Report to the members of Nuchev Limited

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 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.

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 37 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Nuchev Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Kester Brown
Partner

Melbourne
27 August 2020

Shareholder Information

The information is current as at 14 August 2020.

a. Distribution of equity securities

Range	Shares	Total Holders	% of Shares
1 – 1,000	244,176	500	0.5%
1,001 – 5,000	1,728,771	641	3.4%
5,0001 – 10,000	2,025,605	272	4.0%
10,001 – 100,000	5,380,795	235	10.7%
100,001 Over	40,874,513	26	81.3%
Total	**50,253,860**	**1,674**	**100.0%**

b. Unmarketable parcels

	Parcel size	Holders	Units
$500 parcel at $2.34 per unit	214	109	16,206

c. Equity security holders

Twenty largest quoted equity security holders (ordinary shares)

	Number held	% of issued shares
BEN MCFARLANE DINGLE	11,976,000	23.83%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,015,089	19.93%
402339 PTY LTD	11,171,277	22.23%
NATIONAL NOMINEES LIMITED	1,101,863	2.19%
CW INVESTMENT HOLDINGS PTY LTD	1,030,000	2.05%
KIRWOOD CAPITAL DIRECT INVESTMENTS 1 PTY LTD	1,000,000	1.99%
RYDER PIC PTY LTD	792,629	1.58%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	751,825	1.50%
CITICORP NOMINEES PTY LIMITED	370,431	0.74%
MR TIAN YONG LIU & MRS WEI YING JIANG	262,165	0.52%
JUSTIN BREHENY	240,000	0.48%
THOMAS EDWARD DINGLE & PATRICIA JESSIE DINGLE	225,000	0.45%
RUTLAND CAPITAL PTY LTD	211,612	0.42%
BREHENY ENTERPRISES PTY LTD	200,000	0.40%
BK CUSTODIAN PTY LTD	200,000	0.40%
UBS NOMINEES PTY LTD	198,353	0.39%
CS THIRD NOMINEES PTY LIMITED	189,013	0.38%
BREHENY CORPORATION PTY LTD	166,667	0.33%
SNOWFLAKE HOLDINGS PTE LTD	161,097	0.32%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	140,824	0.28%
	40,544,478	80.68%

d. Substantial shareholders

As at the 14 August 2020, the substantial holders of the Group and number of equity securities in which those substantial holders and their associates have a relevant interest are as follows:

Substantial holders in the company are set out below:

Ordinary shares	Number held	% of ordinary shares
BEN DINGLE	23,147,277	46.06%
MITHAQ CAPITAL	10,015,089	19.93%
	31,793,680	63.27%

e. Escrow securities

As at the 14 August 2020, the shares subject to escrow arrangements are:

Number of shares	Escrow end date	Early release date and conditions
12,651,052	31 August 2020	Nil
12,818,318	9 December 2021	Nil

f. Voting rights

The voting rights attached to each class of equity securities are set out below:

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

b. Options: No voting rights

Unquoted securities

	Number held	Number of holders
Options and Share Rights issued under Nuchev Employee, Director Option Plans to take up ordinary shares	1,938,225	18

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Corporate Directory

Company	Nuchev Limited Level 10, 420 St Kilda Road, Melbourne VIC 3004 Australia
Corporate website	www.nuchev.com.au
Registered office	194 High Street, Belmont VIC 3216 Australia
Australian stock exchange (ASX) code	NUC
Australian share registry	Automic Pty Ltd Level 5, 126 Phillip Street, Sydney NSW 2000 Australia Telephone: 1300 288 664 (within Australia) +61 (0) 2 9698 5414 (International)
Auditor	EY 8 Exhibition Street, Melbourne VIC 3000 Australia
Company directors	Justin Breheny | Chair | Non-Executive Director Ben Dingle | Managing Director & Chief Executive Officer | Executive Director Selina Lightfoot | Non-Executive Director Jeffrey Martin | Non-Executive Director Michelle Terry | Non-Executive Director
Company secretary	Chantelle Pritchard

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