nuchev®
food for a better life

Annual Report 2021

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

Nuchev's primary products includes its Oli6® branded goat infant formula and nutritional range, which are formulated with the benefits of goat milk, supported by ongoing scientific research.

Contents

Performance Summary

Nuchev recorded total net revenue of $10.9 million in FY21, down 39% on the prior year, reflecting the significant impacts of the diminished Daigou and pharmacy export trade impacted by COVID-19. Positive growth was delivered in key growth channels, with China CBEC delivering 13% revenue growth and Australian retail delivering 63% revenue growth on the prior year.

The business has refreshed its growth strategy with a focus on high growth channels, particularly the CBEC channel which has seen Chinese consumers shift to online platforms during COVID-19. This together with sustained momentum achieved in the Australian supermarket channel, indicates early signs of successful execution of the refreshed strategy.

10.9M
Net Revenue
down 39% ▼

370MT
Volume
down 35% ▼

($11.3M)
EBITDA
down 18% ▼

13%
CBEC revenue
growth ▲

63%
Coles revenue
growth ▲

34%
Gross Margin[1]

$14.5M
Net cash position
with no debt

1 Excludes raw material sales.

China

No.3 brand in TMall Flagship Store[2]

- Despite the significant impacts of the COVID-19 pandemic, strong sales momentum continued in the Cross-Border E-Commerce (CBEC) channel with total goat milk Infant formula growing +10.3% in CBEC versus last year. The Oli6® brand experienced significant growth in the No.1 and No.2 E-commerce platforms TMall and JD with the brand up +12.8% in TMall and +34.5% in JD. Investment in major promotional periods have contributed to this success, evidenced by the 618 online shopping festival during June, where Oli6® was the No.3 ranked flagship store amongst all goat milk formula brands.

Australia

Significant ranging increases in Coles

Maintained no.3 market position in Pharmacy

- In Australia, Oli6® continued to experience strong growth in Coles with retail sales up 13%[3] and is the only brand growing in goat milk formula.
- COVID-19 has had significant impacts on the Australian Pharmacy channel, given the reduction in export pharmacy business, similar to impacts in the Daigou channel. However, while the overall category declined -63.1%[4], Oli6® maintained its market position as the number three ranked goat infant formula brand in Australian Pharmacy with 24% market share.

2. SmartPath MAT to June 2021
3. Unify Coles scan data to 29 June 2021
4. IQVIA Pharmacy to June 2021

Report from the Chairman and CEO

During this period of disruption and uncertainty, the Nuchev team demonstrated outstanding agility and resilience, executing a refreshed business strategy to adapt to fluid external market dynamics.

Dear Shareholders,

We are pleased to present the Annual Report for Nuchev Limited for the financial year ended 30 June 2021, our first full year operating as a public company after listing on the Australian Securities Exchange in December 2019.

It has certainly been a year like no other, as the world and many industries continued to be deeply challenged and impacted by the ongoing effects of the global COVID-19 pandemic. For Nuchev a major impact was the significant contraction of the hitherto largest sales channel, the Daigou channel, which previously represented circa 50% of total sales.

During this period of disruption and uncertainty, the Nuchev team demonstrated outstanding agility and resilience, executing a refreshed business strategy to adapt to fluid external market and sales channel dynamics. The strategy focused on prioritising those sales platforms presenting the greatest opportunity for future growth and maintaining momentum behind the company's flagship Oli6® brand – a brand built from superior nutritional credentials, led by science.

With a strong cash position of $14.5 million, the advantages of the company's capital light business model, along with a disciplined approach to managing cash has enabled the business to rapidly respond to the fast-changing market environment, and continue to invest in the high growth global goat infant formula and goat milk-based nutrition category.

In FY21, the business reported a decline in revenue growth of 39% to $10.9 million and volume decline of 35% to 370.2 MT. This reflects industry-wide challenges during the year, including the significant impacts from the contraction of the Daigou and export pharmacy channels due to restrictions in international travel, as well as an imbalance of demand from COVID-related pantry stocking, extended lockdowns in Victoria, and restrictions on domestic and international team travel.

However, in spite of these challenges, Nuchev gained strong momentum across other key priority sales channels including the Australian supermarket channel and the cross border e-commerce (CBEC) platforms accessing the China market, in particular TMall and JD where consumer demand for the brand remains strong.

In the first quarter of the year, Nuchev successfully completed a $15.2 million capital raising, with proceeds used to invest in key distribution channels, sales, marketing and brand positioning, as well as to fund working capital requirements. The company benefited from inherent operating leverage in its flexible business model.

During this period the company also secured a strategic partnership with top tier distributor Blue Ocean to manage sales and distribution of Oli6® across a number of key platforms in China. The partnership signified an upgrade to Nuchev's distribution arrangements, and the Nuchev team has been working closely with Blue Ocean to drive distribution and sales through online channels, as well as implementing responsible inventory management to ensure inventory is balanced with consumer pull-through.

The company's enduring commitment to product safety and quality was evident through ongoing partnerships with world-class manufacturing suppliers, and this focus remained core to the company's strategy and philosophy. Quality continued to form a cornerstone of the Oli6® brand offering, building even further on the brand's reputation and earning trust and loyalty amongst consumers in the key markets of Australia and China, as evidenced by independent research results.[1]

The team bolstered its capability at Board and executive management level during the year. In September, the Board welcomed Owens Chan as non-executive director, bringing more than three decades of commercial experience, predominantly with Mead Johnson, across Asia markets.

1 GMI Lightspeed market research November 2020

	FY21	FY20	% change
Volume (MT)	370.2	568.1	(35%)
Revenue ($M)	10.9	17.8	(39%)
ASP / MT ($000) – core*	32.0	31.3	2%
Gross Margin % – core*	34%	35%	1%
EBITDA ($M)	(11.3)	(9.6)	18%
Net Cash ($M)	14.5	10.3	41%

* excludes raw materials sales.

David Whyte stepped down as non-executive director in September, having been ADM's appointee, a valued Board member and an important partner in Nuchev's journey to becoming a public company.

In March, Lisa Saunders was appointed to the role of Chief Marketing Officer, bringing more than 20 years domestic and international FMCG marketing experience. Chantelle Pritchard expanded her responsibilities to Chief Operating Officer, in addition to her responsibilities as Chief Financial Officer and Company Secretary, allowing Chief Executive Officer Ben Dingle to focus on driving and growing the business.

Investment in key sales platforms to drive distribution and leverage growth in the goat infant formula category

Pleasingly, solid momentum was achieved particularly across the Australian supermarket channel in FY21. Oli6® outperformed the goat infant formula category, and was the only goat infant formula brand to achieve growth in Coles, reporting a 12.9% [2] increase in retail sales value. Contributing to this strong performance were the great strides taken by the team to grow distribution of Oli6®, significantly increasing ranging in Coles from 266 stores to 765 stores, representing 95% of all outlets.

As the global goat infant formula category continues to grow rapidly, the CBEC channel remained a critical platform accessing consumers in China. The total goat infant formula category increased penetration in this channel, growing ahead of cow infant formula. Oli6® grew strongly in the leading CBEC platforms of Tmall and JD, with 12.8% and 34.5% value growth respectively[3], demonstrating the strength and momentum of the brand.

Elevating the Oli6® brand through focused marketing and innovation

Through a refreshed brand strategy driven by consumer research, the company focused on building further momentum behind the Oli6® brand, investing in marketing campaigns featuring celebrity mums, key opinion leaders, and key opinion customers to leverage key promotional periods including Chinese New Year, Double 11 Singles Day, the 618 mid-year promotion and Mother's Day. As the experts in goat milk-based nutrition, Oli6® positioning was re-focused to more strongly leverage the brand's unique nutritional credentials backed by science to a highly involved audience of Mums seeking the very best for their children.

A special highlight in the year, demonstrating the company's leadership in innovation, was the introduction of a new Oli6® product formulation, the only goat infant formula to include both goat and human milk oligosaccharides, offering unique nutrition and digestion benefits to babies, toddlers and infants. Also launched in April as part of the company's innovation pipeline was Star Nutrition, designed for children aged over five years, and the only goat product of its type with Lactoferrin to aid health and immunity.

The new product formulations were introduced to the China market in April through the CBEC channel, proving popular amongst Chinese consumers, and further elevating the brand which has already earned an enviable reputation for its superior nutritional qualities, supported by scientific research. The new products will be available across Australian supermarket and pharmacy channels from Q1 FY22.

2 Unify Coles to June 2021
3 SmartPath MAT to June 2021

Report from the Chairman and CEO

Capital light, flexible business model, expanding market footprint

A critical advantage and enabler to Nuchev's performance is the company's capital-light business model, and a secure and scalable supply chain, where the team works with premium raw goat ingredient suppliers and Australian-based manufacturers to deliver goat infant formula to a consistently high quality. Our commitment to safety and quality was maintained throughout the supply chain, from ingredient sourcing to manufacturing, distribution and support.

Our flexible business model enabled Nuchev to progress our plans for market diversification - in addition to Australia, New Zealand and China, Oli6® achieved sales listing in Vietnam. Further international markets have been explored, and this focus remains in FY22, however travel restrictions have impeded the speed with which the team can enter additional new markets. The company remains focused on pursuing options to achieve registration with the State Administration of Markets Regulation (SAMR) to sell Chinese specification Oli6® product in the offline environment in China, however we acknowledge this is unlikely to be achieved via an Australian manufacturer.

Outlook

There undoubtedly remains uncertainty in the domestic and international market environment as we head into FY22. However as the world takes steps forward to move to a post-COVID environment, Nuchev is positioned to capitalise on the growth opportunities that remain in the fast-growing global goat milk-based nutrition category, with a focus on products for all stages of child development and beyond.

As at 30 June 2021, the company maintains a robust and flexible balance sheet, reporting $14.5 million cash on hand with no debt.

Continued growth and momentum is expected in the Australian supermarket and pharmacy channels, and while growth will be impacted in FY22 by ongoing challenges in the Daigou channel, Nuchev remains committed to driving momentum in the CBEC channel, with a focus on recruiting new users, price optimisation and promotion of the Oli6® new product formulation.

We would like to extend our deep gratitude to the team at Nuchev and our partners in demonstrating such strong resilience, collaboration and support for each other during an unpredictable and challenging year.

Notwithstanding the challenges that persist in the environment of a global pandemic, we have seen early signs of success through our refreshed strategy, and remain energised by the significant growth opportunities presented in the global goat infant formula category. We are confident we have the strengths of a flexible business model, a unique, trusted product offering and a highly capable team to drive success in FY22.

Thank-you for your ongoing support.

Yours faithfully,

Justin Breheny
Chairman

Ben Dingle
Chief Executive Officer

COVID-19 Impact

As the world continued to be challenged by the impacts of the COVID-19 pandemic, Nuchev responded swiftly with a refreshed business strategy to adapt to rapidly-changing dynamics in the external market.

Shift from Daigou to Online

FY21 saw a significant shift from the Daigou and export pharmacy channels to the Cross Border. E-Commerce Channel (CBEC) with CBEC continuing to drive significant growth. Border closures and reduction in the numbers of students and tourists further impacted local Daigou sales.

Cycling Pantry Stocking

Heavy pantry stocking occurred in both China and Australia through 2020 with consumption domestically now reflecting pre-COVID volumes.

People and Culture

A swift and agile response to COVID-19 enabled the Nuchev team to manage the changes and demands as a result of the changing market conditions. The team demonstrated outstanding resilience, care and collaboration to navigate the challenges presented by ongoing lockdowns and travel restrictions during COVID-19.

Supply Chain

Nuchev's commitment to product safety and quality was evident through ongoing partnerships with world-class manufacturing suppliers ensuring continuity of supply throughout COVID-19.

China and Australia Trade Relations

Trade relations between China and Australia have impacted the industry. However, Nuchev's strong partnerships with top tier distributors both domestically and within the China market have assisted in minimising long term impact.

Goat Infant Formula in China continues to grow despite COVID-19 and AU/China trade relations.

Goat milk is growing faster than the total infant formula market and Oli6® continues to grow ahead of the CBEC market.

Source: Euromonitor 2020

Our Business

FOOD FOR A BETTER LIFE

Family is everything. We are committed to making lives better for all families.

THOUGHT LEADERSHIP IN GOAT NUTRITION, SCIENCE AND INNOVATION

Customer and consumer insights drive our success through an innovative spirit. What we do is backed by scientific evidence.

THE SAFEST MOST PREMIUM GOAT NUTRITION WITHOUT COMPROMISE

Our quality supply chain is the gold standard. We are committed to the health and safety of the entire Nuchev family.

Our vision

Nuchev is an Australian-based, globally-oriented food business with a dedicated focus on developing, marketing and selling a range of premium goat milk-based nutrition products. We produce and sell goat infant formula (GIF) and Goat Milk Powder under the Oli6® brand across multiple sales channels in Australia, New Zealand, China and Vietnam.

The majority of Nuchev's revenue is generated by the sale of GIF products. The GIF market continues 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.

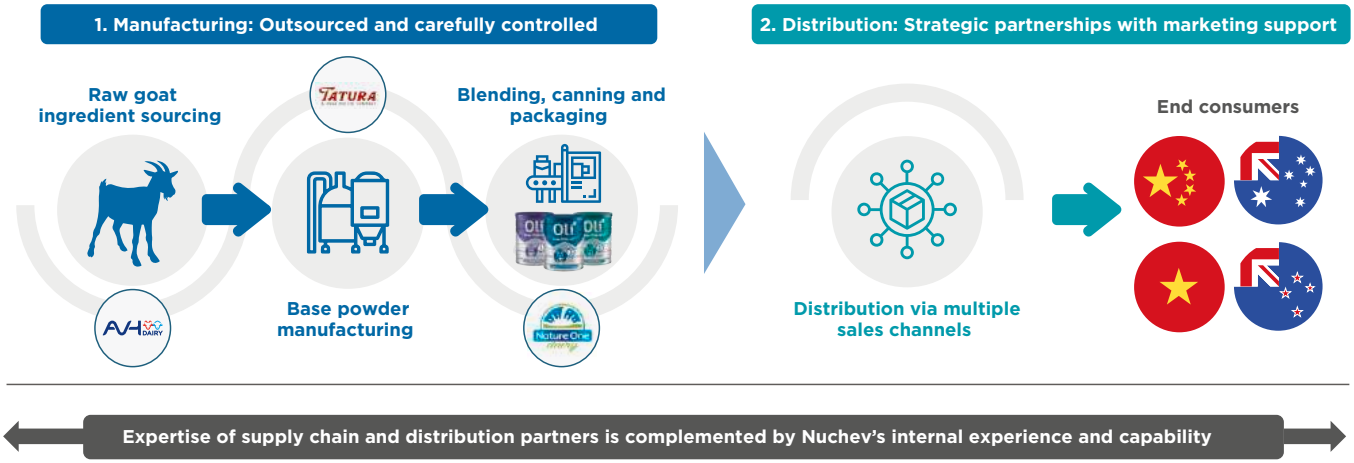
Our business model

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 provides us with the flexibility to rapidly adapt to fluid external market dynamics as required, and 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.

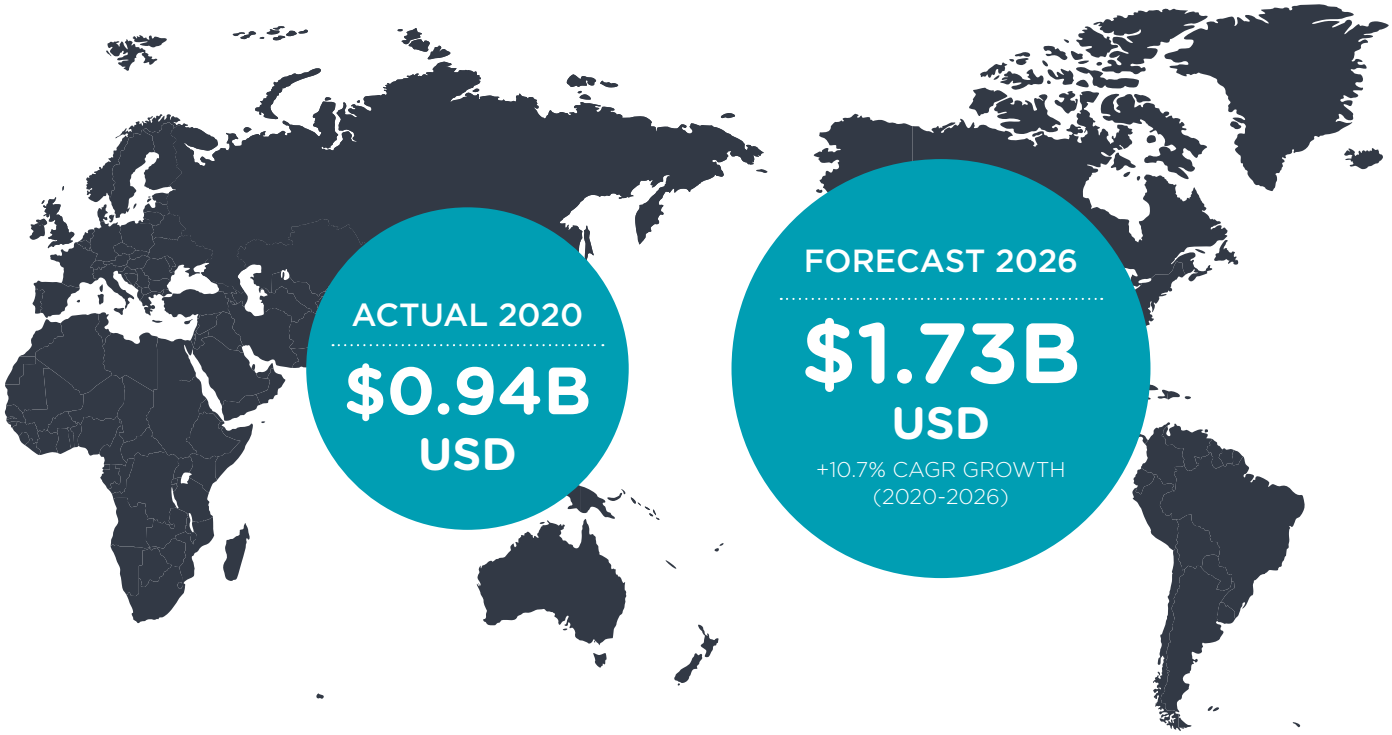
Nuchev's business strategy is focused on increasing sales volumes across multiple distribution channels by establishing Oli6® as the 'most trusted' GIF brand in key markets including Australia, China, New Zealand and Vietnam.

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.

Global goat milk infant formula is growing and forecast to continue to grow



Source : Euromonitor 2020

Our Business

Our strategy

Nuchev's strategy is to grow to be a top two player in the GIF category by 2025 in all key markets.

Key to this strategy is building a differentiated brand proposition for Oli6®. Driving performance in our priority markets of Australia and China is critical to deliver this ambition. A clear channel strategy of where to play and how to win will be the cornerstone of the Nuchev plan going forward.

Nuchev's aim is to extend beyond infant formula to deliver on its vision of 'food for a better of life'. A detailed three year innovation pipeline has been developed to deliver a broader premiumised portfolio through consumer led innovation.

Further growth will be harnessed through extending into new strategic markets that have a high incidence of premium infant formula consumption in addition to driving further growth through China in general trade.

Building On Our Foundations To Grow

BUILD BRAND EQUITY	Attract new users to the brand
DRIVE GROWTH THROUGH INNOVATION	Drive premiumisation through consumer led innovation
DRIVE PERFORMANCE IN EXISTING MARKETS	Secure our key markets of China and Australia
DEVELOP NEW BUSINESS	Rapid growth through further market expansion
BUILD A SUSTAINABLE PROFITABLE BUSINESS	Positive net cash position

Our Brand Oli6®

Nuchev's primary product offering is its premium Oli6® brand GIF range. The company also sells Full Cream Goat Milk Powder. The Oli6® range features various product formulations for the different stages of a child's development.

Market leading new formulation to drive technical leadership

Oli6® launched a new specialised formulation in April in China with a marketing leading blend and the only brand in goat milk formula with human milk oligosaccharides in Stages 1 and 2.

Oli6® is the only brand with six unique blends of prebiotics, probiotics, oligos and vitamins to aid digestion, immunity and brain development.

Stage 1 (0-6 months)

Market leading blend and the only goat milk formula Stage 1 with HMO's (human milk oligosaccharides to aid digestion). Includes prebiotics and probiotics.

Stage 2 (6-12 months)

Market leading blend and the only goat milk formula Stage 2 with HMO's (human milk oligosaccharides to aid digestion). Includes prebiotics and probiotics.

Stage 3 (1-3 years)

Market leading blend with prebiotics, probiotics and Vitamins A, B C and Zinc. Enhanced immunity with BB536, one of the best known probiotics to aid in gut health and scientifically proven to inhibit the growth of harmful bacteria

Stage 4 (3-7 years)

Market leading blend with prebiotics, probiotics and Vitamins A, B, C and Zinc. Enhanced immunity with BB536, one of the best known probiotics to aid in gut health and scientifically proven to inhibit the growth of harmful bacteria.

Driving growth through innovation with Star Nutrition

Oli6® launched a new innovation to the range in April in China with the launch of Star Nutrition. A world-class leading blend and the only brand in goat milk formula with Lactoferrin targeted at school children aged over five years to aid nutrition and immunity. Star Nutrition's unique blend also includes prebiotics and probiotics coupled with a high quality tamper proof seal, continues to extend the Oli6® range beyond infant formula to deliver food for life.

Led by Science

Oli6® is led by science with partnerships with RMIT, University of Melbourne and published in the British Journal of Nutrition.

RMIT UNIVERSITY

THE UNIVERSITY OF MELBOURNE

Our Business

Our sales channels

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, New Zealand and Vietnam with a priority focus on China and the sub channels within each market.

China cross border e-commerce sales channels

D2C	**Tmall flagship store**					
B2C	**Key B2C**				**Top B2C POP**	
	Tmall (Direct Import)	JD (self-run)	VIP (self-run)	Kaola (self-run)	Tmall (B store; franchise stops; specialty stores)	JD (JD-Pop)
B2B2C	**Social platforms**		**Other platforms**		**Others**	
	Yunji and Omall		Sub-distributor to C		New channels; Community group purchase etc.	
C2C	**Taobao and Daigou transformed C2C**					

"Oli6 gives babies protection and a better digestion." Zhang Xinyi

Driving sales through consumer pull through activity

Oli6® continued to invest in the brand with a partnership with celebrity KOL Zhang Xinyi as a brand ambassador and key opinion customers to leverage key promotional periods including Chinese New Year, Double 11 Singles Day, and the recent 618 mid-year promotion. This campaign was featured out of platform and in platform to attract new users to the brand and the new formulation. The 5M RMB campaign reached 6.5M Chinese Mums.

PRODUCT REVIEW .COM.AU 2021 AWARDS WINNER

Oli6 is rated Excellent
Based on 240 reviews
Trustpilot

coles

Building on local success through strong product reviews

Oli6® has continued to benefit from outstanding product reviews in Australia and was voted the No.1 brand on Product Review in the Toddler Drink category in 2021 and was also rated 5 stars on Trust Pilot.

Increased ranging in Coles

Oli6® outperformed the goat infant formula category, and was the only goat infant formula brand to achieve growth in Coles in the second half of the year. Building on this strong performance, Oli6® significantly increased ranging in Coles from 266 stores to 765 stores, representing 95% of all outlets.

World-Class Supply Chain

SECURITY OF RAW INGREDIENT SUPPLY

- Long-term strategic agreement with top tier EU based suppliers AVH for Goat Full Cream Milk Powder (GFCMP) and Goat Whey Protein Concentrate (GWPC)

2-3 MONTHS

Inventory on hand to manage supply risk with shipping delays

STAGE 1: OUTSOURCED MANUFACTURING (BASE)

- Long-term toll processing agreement with Bega, one of Australia's leading processors (base powder)
- Significant manufacturing capacity

2-3 MONTHS

Inventory as Base Powder to manage risk with supply continuity

Nuchev maintains an unwavering dedication to quality, demonstrated through the operation of its supply chain during FY21. The company has continued in developing a secure and scalable supply chain with industry-leading partners that is quality focused, cost-efficient, adaptable and offers several key competitive advantages:

- **Quality goat ingredients**: the goat milk solids ingredients in Nuchev's goat nutritional products continue to be 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 Goat Nutrition 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 rapidly changing market demand, than utilising locally sourced goat milk.
- **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 continues to remain lower than the cost of equivalent milk 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 both upwards and downwards very quickly to meet significantly changing 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® Goat Nutrition products involves two distinct stages:

- Base powder manufacturing
- Blending, canning and packaging

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 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

STAGE 2: OUTSOURCED MANUFACTURING (B&C)

- Long-term agreement with CNCA blending and canning facility, Nature One Dairy (NOD). NOD is a proven quality manufacturer.
- Low capex model, with significant growth capacity

1-3 MONTHS

Inventory in Nuchev Supply Chain

SALES AND DISTRIBUTION CHANNELS

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 base powder 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 will be extended for a further two years by mutual agreement of the parties during FY22.

Blending, canning and packaging

Blending, canning and packaging of Nuchev's Goat Nutrition products occurs at Nature One Dairy's production facility in Melbourne, Australia. The work is done pursuant to a processing agreement between the parties. The Nature One Dairy facility has multiple dairy accreditations, including GACC[1] (previously known as CNCA[2]) manufacturing approval, which is necessary for all Infant Formula products that are sold to Chinese end consumers through both offline and 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 base powder produced during the first stage of the process and then canned into the finished products. 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 production experience as well as Nuchev's own expertise and capability.

New product development and research

The differentiated health benefits and quality of Nuchev's Goat Nutrition 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.

Following the launch of a research-based formulation upgrade to Nuchev's Oli6® range in FY21, an exciting pipeline of research and 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 goat nutrition 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 FY21 year, the Nuchev team responded quickly to a rapidly changing environment brought about by the COVID-19 global pandemic and related consequences, supporting its partners and ensuring security of supply in the face of volatile demand.

Pleasingly, despite some minor logistics challenges, relationships with our strategic supply partners remained strong.

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 small and highly capable team spans Australia and China. We partner closely with our distributor in China and our retail, pharmacy and grocery partners in Australia. Team members come from a highly diverse range of backgrounds which reflect both our customer base and a deep understanding of the industry and countries in which we operate.

We have a strong belief in the benefit of a diverse team and have set measurable objectives this year to ensure we continue to deliver against our diversity principles. All of these objectives have been met with well over 50% female representation in our workforce, 33% female representation on the Board and greater than 30% from Non-English Speaking Backgrounds.

Given the team's diversity and global operating environment experience, our people were able to respond to the global challenge presented by COVID-19 which included adopting new ways of working such as working remotely. A key priority has been a focus on employee wellbeing this year providing support such as home office set-ups, an Employee Assistance Program and a number of activities to strengthen communications and engagement in the virtual working environment.

We conduct regular surveys and hold ongoing discussions with the team to ensure that we adjust and improve our environment on an ongoing basis and take actions to strengthen team effectiveness.

In FY21 we focused on building the capability required to deliver our strategy through recruiting a number of new people to the team and focusing on professional development and leadership effectiveness.

The team were engaged in the review of our purpose and vision and we have welcomed new organisational values that embody the way we work at Nuchev.

ACCOUNTABILITY

We deliver what we say we will

COLLABORATION

We are at our best when we come together and challenge respectfully

AGILITY

We are responsive; reprioritise and have a sense of urgency

SPIRIT

We have fun and bring our whole selves

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
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. • Our office is 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, the business has experienced minimal disruption to operational 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. There have been significant industry wide challenges in relation to the impact of COVID-19 on the Daigou channel in Australia which the business has sought to mitigate through redirecting focus to the Cross Border E-Commerce channel.
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 2021, 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.

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.
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 effectiveness 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**
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 to drive a high level of accountability. 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. • The company's strategy includes plans to progress market and product diversification to drive sales, and continues to remain focused on pursuing options to achieve SAMR registration for Oli6® to capitalise on the offline market in China.
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.
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.

Risk Management

Sources of Risk *continued*	**Management Strategies**
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.
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 $14.5 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.

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, Lawcover Insurance Pty Ltd since May 2019, Breheny Bros Breweries Pty Ltd since February 2021.

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. A highly connected, large-scale dairy innovator and leader, Ben has been influential in the development of the infant nutrition sector and 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

Owens Chan

Non-Executive Director

Owens has been a director of Nuchev since September 2020. Owens has more than 30 years experience in leadership and category changing roles across South East Asia and China, with a proven record of driving innovation and success. Born and educated in Hong Kong, Owens has a Bachelor degree from the University of Hong Kong and MBA from the University of Queensland. Owens worked in senior sales and commercial roles for more than 10 years across South East Asia, and for over than 20 years' in China, where he spend the majority of his career leading global infant formula giant, Mead Johnson's China business. During Owens' time at Mead Johnson he led substantial growth of their one year+ age range of products and developed new channel strategies to build Mead Johnson into the number one international formula brand in China.

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 2021. 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 Justin Breheny

Mr Ben Dingle

Ms Selina Lightfoot

Ms Michelle Terry

Mr Jeff Martin

Mr Owens Chan (appointed 24 September 2020)

Mr David Whyte (resigned 24 September 2020)

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

Financial performance

The loss of the consolidated Group for the financial year ended 30 June 2021 after providing for income tax was $13,268,540 (30 June 2020 loss of $10,902,865). The net cash position for the financial year ended 30 June 2021 was $14,514,645 with no debt.

Nuchev continues to focus on sales of Oli6® goat milk-based infant formula and nutritional products across key markets including Australia and China. Net revenue declined 39% to $10,899,342 and volume declined 35% to 370 Metric Tonne. This decline was largely the result of significant industry-wide contraction of the Daigou and export pharmacy trade due to the ongoing impacts of COVID-19.

During the year, Nuchev developed and executed a reset strategy to adapt to the fast-changing market dynamics in the COVID-19 landscape, focusing on sales channels with the strongest opportunity for growth. Despite industry-wide challenges caused by the global pandemic, positive sales momentum was achieved in key sales channels including the Australian supermarket channel, where Oli6® was the only brand to drive growth in the goat infant formula category in Coles, with revenue growth of 63% vs FY20 and the Cross Border E-Commerce (CBEC) channel accessing consumers in China, with revenue growth of 13% vs FY20.

A key component of the strategy was a refreshed brand positioning for Oli6®, underpinned by consumer research, which focused on elevating the brand's unique nutritional credentials, led by science. Nuchev continued to invest in key promotional periods, including Chinese New Year, Double 11 Singles Day and the 618 promotion. In H2FY21, a unique new product formulation for Oli6® was introduced, the only goat infant formula that offers goat and human milk oligosaccharides for superior nutritional and digestive benefits. The new product formulation, which also included Star Nutrition designed for children aged over five years, was launched in the CBEC channel in April and is due to launch in Australia in Q1FY22, with strong support from key trade partners.

The company transitioned to a new strategic partnership with Blue Ocean, representing an upgrade to distribution arrangements for key platforms in China. During the year Nuchev has worked closely with Blue Ocean to actively manage customer inventory levels, and ensure inventory is balanced with customer pull-through. Nuchev remains focused on achieving registration with the State Administration of Markets Regulation (SAMR) to sell Chinese specification Oli6® product in the offline environment in China, however acknowledges that timings remain uncertain, and registration is unlikely to be achieved via an Australian manufacturer.

In the first quarter of the year the company successfully completed a $15,220,527 capital raise, strengthening Nuchev's cash position, with proceeds used to invest in key distribution channels, sales and marketing and as well as to fund capital working requirements.

Market diversification progressed in FY21, with sales listing achieved in Vietnam, however further market expansion was impacted by ongoing COVID-19 lockdowns and travel restrictions.

Nuchev maintained a capital-light business model, providing the flexibility to continue to invest in the high-growth goat milk-based infant formula and nutrition category. The company's high-quality and flexible supply chain continued through relationships with industry-leading supply partners.

There remains significant market growth opportunity in the global goat milk-based infant formula and nutrition category, and particularly in the markets and channels where Nuchev operates. The goat infant formula market in China is growing at 29%, well ahead of the overall infant formula category, which is growing at 8%. In the CBEC channel, the goat infant formula category is growing 10%, and ahead of the cow infant formula category.

Financial position

At 30 June 2021, the Group held cash and short-term deposit of $14,514,645 (30 June 2020: $9,443,093), trade debtors of $1,079,885 (30 June 2020: $3,274,201) and $11,350,641 of inventories (30 June 2020: $9,869,727) and no debt.

At 30 June 2021 the Group had a strong balance sheet comprising net assets of $26,690,902 (30 June 2020: $25,275,400) with no debt.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Group during the year ended 30 June 2021.

Significant events after the balance date

Other than the events disclosed in the report, the Group is not aware of any matter or circumstance that has occurred since the end of the reporting period that has significantly affected or may significantly affect the Group's operations.

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 2021 and was approved by the board on 30 August 2021. The Group's corporate governance practices are set out and can be viewed at http://investor.nuchev.com.au/policies/corporategovernance.

Environmental regulation

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

Dividends paid or recommended

No dividends were paid, declared, or recommended.

Share Options/Rights

As at the date of this report, there were 3,269,938 unissued ordinary shares under options/rights (2,838,639 at the reporting date). Refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel ('KMP').

Option/rights holders do not have any right, by virtue of the security, to participate in any share issue of the Group or any related body corporate.

Directors' Report

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 or 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.

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 and Risk	People and Culture
Number of meetings held	15	6	3
Number of meetings attended:[1]			
Justin Breheny	15	6	3
Ben Dingle	15	n/a	n/a
Selina Lightfoot	15	6	3
Michelle Terry	15	n/a	3
Jeff Martin	13	6	n/a
Owens Chan[2]	9	n/a	n/a
David Whyte[3]	6	n/a	n/a

1. n/a where attendance not required as not a member of the committee.
2. Owens Chan was appointed as a director on 24 September 2020. Owens was eligible to attend nine Board meetings.
3. David Whyte resigned as a director of the company effective 24 September 2020. David was eligible to attend six Board meetings.

Committee membership

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

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

Audit and Risk Committee	People and Culture Committee
Selina Lightfoot (Chair)	Michelle Terry (Chair)
Justin Breheny	Justin Breheny
Jeff Martin	Selina Lightfoot

Non-audit services

There have been no non-audit services provided during the period by the entity's auditor, Ernst & Young Australia. The directors are satisfied that if non-audit services are provided they will be compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Rounding

The amounts contained in the financial report have been rounded to the nearest $1 and are presented in Australian dollars.

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 2021 has been received and can be found on page 39.

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 2021. 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 FY21:

Name	Position	Term as KMP
Non-Executive Directors		
Justin Breheny	Non-Executive Chair	Full financial year
Selina Lightfoot	Non-Executive Director	Full financial year
Michelle Terry	Non-Executive Director	Full financial year
Jeff Martin	Non-Executive Director	Full financial year
Owens Chan	Non-Executive Director	Appointed 24 September 2020
David Whyte	Non-Executive Director	Ceased 24 September 2020
Executive Directors		
Ben Dingle	Managing Director/Chief Executive Officer	Full financial year
Senior Executives		
Chantelle Pritchard	Chief Financial Officer	Full financial year
	Chief Operating Officer	Appointed 22 February 2021
	Company Secretary[1]	Appointed 22 February 2021

1: Chantelle Pritchard will be referred to as Chief Operating Officer (COO) throughout the Report.

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 'P&C'). The P&C is made up of only independent non-executive directors, with a minimum of three members. The P&C 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 P&C aims to ensure that Nuchev's remuneration policies:

i. are aggregated towards short- and long-term incentivisation;

i. encourage and sustain a culture aligned with the Group's values;

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

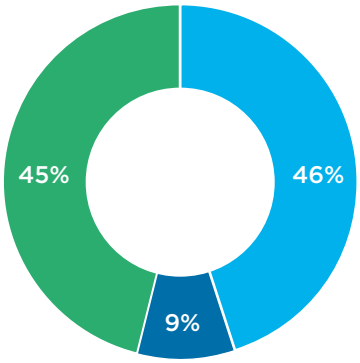
iv. are aligned with the Group's risk management framework and risk appetite.

The Nuchev Remuneration Policy also seeks to attract and retain high quality KMP, whilst ensuring that this is aligned and value accretive for shareholders. The P&C charter is reviewed annually to ensure that it remains adequate for the needs of Nuchev.

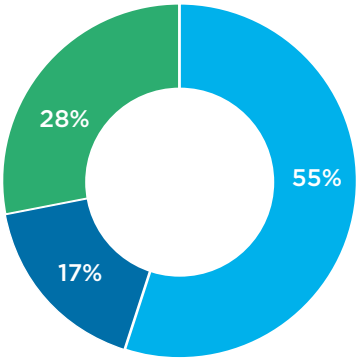
2.3 Remuneration Mix – target

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



COO Remuneration



● TFR ● STI ● LTI

3. Elements of remuneration

3.1 Total fixed remuneration ('TFR')

KMP may receive their fixed remuneration as cash and superannuation. 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 scale and complexity. The P&C 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 by the Board and are calculated usually as a fixed percentage of total fixed remuneration ('TFR'). Details of the STI incentives offered to the CEO and COO 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').

Remuneration Report (Audited)

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 personal objectives have a 50% weighting.

Financial metrics for FY21 are measured by comparing the actual result to the revenue and EBITDA figures.

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

Executive KMP	Financial Measure (50% weighting)	Personal Measures (50% weighting)	Maximum
MD/CEO	Revenue – 60% EBITDA – 40%	Strategic Milestones – 70% Financial Objectives – 30%	• 20% of TFR is target • up to maximum of 30% of TFR
COO	Revenue – 60% EBITDA – 40%	Operational Milestones – 50% Financial Objectives – 30% Risk & Governance – 20%	• 30% of TFR is target • up to maximum of 40% of TFR

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)

FY21 Long Term Incentive Plan

An award of share options was made during the year to senior executives (including the CEO) and other entitled employees for no cost. The options have an exercise price of $2.553 per option and will vest after three years a subject to meeting the following performance conditions and continuous employment to 30 June 2023. The fair value of the rights at grant date was $0.405.

- Nuchev's relative TSR performance against companies included in the ASX300 Consumer Staples and Health Care sectors as at 1 July 2020. Threshold vesting to occur where Nuchev's RSTR performance is at the 51st percentile of the comparator group and target vesting where Nuchev's RSTR performance is at the 75th percentile of the comparator group with pro rata vesting between 50% and 100%; and
- Achieving a revenue target based on Nuchev's business plans over the three years to 30 June 2023.

FY21 Employee Rights

In July 2020, a total of 39,480 rights were provided to the COO for no cost as part of the Equity Incentive Plan (EIP). The share rights convert to an equal number of shares on vesting. The vesting conditions were selected to align the COO's interests with those of shareholders and require the meeting of both performance conditions linked to the company's share price and continuous service condition to 30 June 2023. The rights lapse on cessation of employment, subject to Board discretion. The fair value of the rights at grant date was $2.135.

Retention Awards

Retention awards are made on a targeted basis to support the retention of key employees who are required to lead the execution of Nuchev's business plans. During the year, the Board approved arrangements to retain Chantelle Pritchard, COO. The award comprises a combination of cash and equity to the value of $250,000 vesting over a two year period commencing on 1 July 2021, subject to the Board being satisfied with the performance by Ms Pritchard of her duties and responsibilities from the grant date to the vesting dates. On 22 July 2021 239,600 share rights were granted for no cost and will vest at the end of the performance period provided the vesting conditions are fulfilled.

4. Performance and executive remuneration outcomes in FY21

4.1 Performance against STI measures

In FY21, the Board's assessment of the COO and CEO's performance against their STI objectives were as follows:

MD and CEO

Performance area		Total award available	% Award achieved (after weighting)	Achievements during the year
Financial Measures	Revenue	30%	0%	Financial outcomes below threshold
	EBITDA	20%	0%	
Personal Measures	Strategic Milestones	35%	0%	Vietnam sales listing achieved but strategic milestones below threshold
	Financial Objectives	15%	7.5%	Successful capital raise achieved
Total		**100%**	**7.5%**	

COO

Performance area		Total award available	% Award achieved (after weighting)	Achievements during the year
Financial Measures	Revenue	30%	0%	Financial outcomes below threshold
	EBITDA	20%	0%	
Personal Measures	Operational Milestones	25%	12.5%	Partial achievement of operational metrics
	Financial Objectives	15%	15%	Successful capital raise achieved
	Risk & Governance	10%	10%	Implementation of risk management framework including Company Secretary function and reporting
Total		**100%**	**37.5%**	

4.2 Performance LTI measures

The FY20 Long Term Incentive Plan vesting requirements are based upon achieving targeted revenue performance in addition to the required service conditions. For details of revenue performance over the last five years see below.

The FY20 LTI performance measurement for Tranche 1 was achieving the forecast revenue figure for FY20 as per the IPO prospectus forecast. This was achieved so subject to satisfying the service condition, Tranche 1 of the award will vest at the end of the vesting period. However, the revenue target for FY21 has not been achieved and hence Tranche 2 of the award has lapsed under the terms of the Plan.

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.

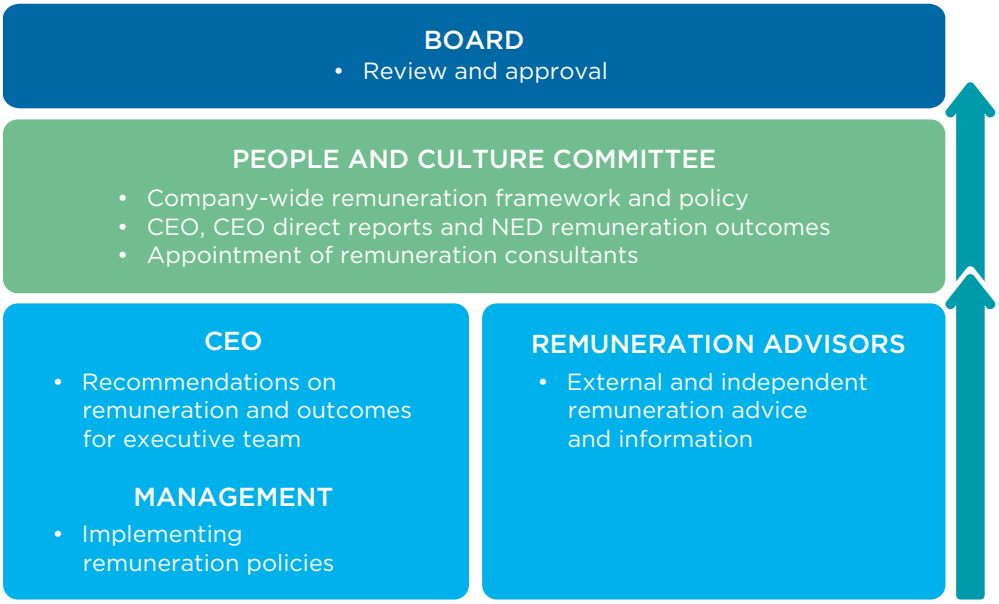
	2021	2020	2019	2018	2017
Profit/(Loss) for the year attributable to owners of the Group	(13,268,540)	(10,902,865)	(13,499,836)	(14,074,385)	(9,679,724)
Revenue	10,899,342	17,763,252	9,499,278	3,441,257	2,544,357
Revenue growth	(39%)	88%	175%	35%	105%
EBITDA[1]	(11,312,820)	(9,580,489)	(9,268,807)	(11,554,877)	(8,441,679)
Share price	$0.51	$2.26	N/A	N/A	N/A
Dividends	N/A	N/A	N/A	N/A	N/A

1. EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes livestock fair value adjustments

Remuneration Report (Audited)

5. How remuneration is governed

The following diagram represents the Group's remuneration decision making framework:



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 FY21, 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.

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	MD and 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	COO
Fixed remuneration	$350,000
Contract duration	Ongoing
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

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 as of the 27th of August 2020 and remain unchanged.

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 FY21 (inclusive of superannuation):

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

1. 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 executive key management personnel for the current financial year measured in accordance with the requirements of the Australian Accounting Standards:

		Fixed Term Remuneration			Post Employment Benefits	Other Employment Benefits	Variable Remuneration			
		Salary and Fees	Leave Benefits	Non-Monetary[1]	Super	Share-based Payments – Options[6]	Bonus	Share-based Payments – Options	Total Remuneration	% Performance related
J Breheny	2021	100,457	–	–	9,543	–	–	–	110,000	0%
	2020	81,649	–	–	7,757	6,554	–		95,960	0%
B Dingle	2021	378,606	7,926	840	22,239	–	5,455	119,910	534,976	23%
	2020	379,823	43,394	720	27,125	–	36,530	32,976	520,568	13%
S Lightfoot	2021	63,927	–	–	6,073	–	–	–	70,000	0%
	2020	50,602	–	–	4,807	3,818	–		59,227	0%
M Terry	2021	63,927	–	–	6,073	–	–	–	70,000	0%
	2020	50,602	–	–	4,807	3,818	–		59,227	0%
J Martin	2021	54,795	–	–	5,205	–	–	–	60,000	0%
	2020	45,471	-	-	4,320	3,818	-		53,609	0%
O Chan[2]	2021	46,154	–	–	–	–	–	–	46,154	0%
	2020	–	–	–	–	–	–	–	–	0%
D Whyte[3]	2021	–	–	–	–	–	–	–	–	0%
	2020	–	–	–	–	–	–	–	–	0%
C Pritchard[4]	2021	334,644	24,032	–	20,991	–	35,795	35,187	450,649	16%
	2020	145,350	–	–	–	–	–	–	145,350	0%
D Lasnitzki[5]	2021	–	–	–	–	–	–	–	–	0%
	2020	251,565	18,015	990	25,195	–	29,680	31,949	357,394	17%
Total	**2021**	**1,042,510**	**31,958**	**840**	**70,124**	**–**	**41,250**	**155,097**	**1,341,779**	**15%**
	2020	**1,005,062**	**61,409**	**1,710**	**74,011**	**18,008**	**66,210**	**64,925**	**1,291,335**	**10%**

1. Non-monetary benefits include mobile phone allowances.
2. Owens Chan was appointed 24 September 2020.
3. David Whyte does not receive any remuneration in FY20 in his capacity as a director given the prior relationship with his employment.
4. Chantelle Pritchard became a member of the KMP on the 30 April 2020. She was formally appointed full time CFO on the 1 July 2020.
5. Darryl Lasnitzki remuneration above is from the period of 1 July 2019 – 30 April 2020.
6. Options issued to directors under the Legacy Option plans were not considered variable remuneration, as the service vesting conditions are not performance objective

The following table outlines the proportion of maximum STI earned in relation to the FY21 financial year.

	STI bonus#		
	Total Opportunity	Awarded %	Forfeited %
Ben Dingle	$80,000	7.5%	92.5%
Chantelle Pritchard	$105,000	37.5%	62.5%

Bonuses are inclusive of superannuation. Total STI for Ben Dingle was $5,455 for cash component, $545 was super component. Chantelle Pritchard had $35,795 cash component and $3,580 super component.

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.

	Scheme	Award date	Vesting date	Expiry date	Fair value per option at award date $	Exercise price per option	No. Options awarded during the year	No. vested during year	No. lapsed/ forfeited during year	Value of options granted during the year	Value of options exercised during the year
J Breheny	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	–	–	–	–	–	–	–
B Dingle	FY21 LTI	26/11/2020	31/08/2023	25/11/2025	$0.405	$2.553	558,660	–	–	234,637	–
	FY20 LTI	9/12/2019	30/06/2022	9/12/2024	–	–	–	–	–	–	–
	FY16/17 LTI	–	–	–	–	–	–	–	–	–	–
S Lightfoot	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	–	–	–	–	–	–	–
M Terry	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	30/12/2016	30/12/2019	30/12/2021	–	–	–	–	–	–	–
J Martin	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	–	–	–	–	–	–	–
O Chan	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	–	–	–	–	–	–	–	–	–	–
D Whyte	FY21 LTI	–	–	–	–	–	–	–	–	–	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	–	–	–	–	–	–	–	–	–	–
C Pritchard	FY21 LTI	26/11/2020	31/08/2023	25/11/2025	$0.405	$2.553	244,415	–	–	102,654	–
	FY21 Rights	31/07/2020	31/08/2023	31/08/2023	$2.135	–	39,480	–	–	84,290	–
	FY20 LTI	–	–	–	–	–	–	–	–	–	–
	FY16/17 LTI	–	–	–	–	–	–	–	–	–	–

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

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 30 above for the conditions that must be satisfied for the options to vest.

	Balance as at 1 July 2020	Granted as Remuneration	Options exercised	Other	Balance as at 30 June 2021	Vested and exercisable	Vested but not exercisable
J Breheny	73,844	–	–	–	73,844	73,844	–
B Dingle	616,330	558,660	–	–	1,174,990	–	–
S Lightfoot	43,017	–	–	–	43,017	43,017	–
M Terry	43,017	–	–	–	43,017	43,017	–
J Martin	43,017	–	–	–	43,017	43,017	–
O Chan	–	–	–	–	–	–	–
D Whyte	–	–	–	–	–	–	–
C Pritchard	–	283,895	–	–	283,895	–	–
	819,225	**842,555**	**–**	**–**	**1,661,780**	**202,895**	**–**

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 2020	Received during year on exercise of options	Purchase of shares	Sale of shares	Other	Balance as at 30 June 2021
J Breheny	606,667	–	69,335	–	–	676,002
B Dingle	20,773,197	–	2,374,080	–	–	23,147,277
S Lightfoot	113,334	–	12,953	–	–	126,287
M Terry	40,000	–	4,572	–	–	44,572
J Martin	80,000	–	9,144	–	–	89,144
O Chan	–	–	–	–	–	–
D Whyte[2]	272,975	–	–	–	(272,975)	–
C Pritchard	–	–	–	–	–	–
	21,886,173	**–**	**2,470,084**	**–**	**(272,975)**	**24,083,282**

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. Other movement for David Whyte is a result of his ceasing to be a member of the KMP on 24 September 2020.

Remuneration Report (Audited)

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 FY21 and there are no outstanding balances, whether assets or liabilities as at the 30 June 2021.

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

General and administration expenses

During the year, purchases totalling $12,000 were made by Group companies to non-executive director Owen Chan. These consulting services were provided on arm's length terms.

Transaction costs on sale of biological assets

A close family member of CEO, Tom Dingle, acted as agent for Nuchev in the transaction for the sale of biological assets. A commission on the sale totalling $45,601 was charged for these services and remained due as at reporting date. These services were provided on arm's length terms.

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

Transactions	2021
General and administration expenses	12,000
Transaction costs on sale of biological assets	45,601
Total	**57,601**

REMUNERATION REPORT (END)

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

On behalf of the Directors.

Justin Breheny
Chairman

Ben Dingle
Managing Director and Chief Executive Officer

Melbourne

Dated: 30 August 2021

Auditor's Independence Declaration

Building a better working world

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Auditor's Independence Declaration to the Directors of Nuchev Limited

As lead auditor for the audit of Nuchev Limited for the financial year ended 30 June 2021, 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 Limited and the entities it controlled during the financial year.

Ernst & Young

Kester Brown
Partner
30 August 2021

Financial Report

Financial Statements

Notes to the Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	5	10,899,342	17,763,252
Cost of sales	8.3	(7,443,886)	(11,784,272)
Distribution, warehouse and logistics expenses		(744,777)	(1,089,666)
Marketing and selling expenses		(6,148,028)	(6,633,562)
Employment expenses	8.4	(4,297,503)	(4,014,475)
General and administration expenses		(2,507,764)	(4,245,231)
Other expenses		(2,079,667)	(640,051)
Impairment of intangible assets	20	(903,072)	–
Impairment of receivables	14	(269,375)	(36,084)
Livestock fair value adjustments	18	(252,289)	(338,100)
Operating (loss)		**(13,747,019)**	**(11,018,189)**
Other income	8.1	462,073	764,640
Finance income	8.2	65,887	127,491
Finance costs	8.2	(49,481)	(776,807)
(Loss) before tax		**(13,268,540)**	**(10,902,865)**
Income tax benefit	9	–	–
(Loss) for the year		**(13,268,540)**	**(10,902,865)**
Other comprehensive income		–	–
Total comprehensive (loss) for the year		**(13,268,540)**	**(10,902,865)**
Loss per share			
Basic (loss) per share	10	(0.26)	(0.27)
Diluted (loss) per share	10	(0.26)	(0.27)

Consolidated Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash and short-term deposits	13	14,514,645	9,443,093
Trade and other receivables	14	1,079,885	3,274,201
Prepayments	15	384,881	1,433,965
Inventories	16	11,350,641	9,869,727
Other assets	17	18,466	90,840
		27,348,518	**24,111,826**
Non-current assets			
Biological assets – livestock	18	–	1,039,950
Property, plant and equipment	19	103,227	186,837
Intangible assets	20	584,457	1,796,839
Right-of-use assets	24	204,627	306,941
Other assets	17	68,524	67,362
		960,835	**3,397,929**
Total assets		**28,309,353**	**27,509,755**
Liabilities			
Current liabilities			
Trade and other payables	21	1,061,329	1,550,301
Provisions	23	204,812	245,370
Lease liabilities	24	132,310	152,803
Other liabilities	25	9,275	12,929
		1,407,726	**1,961,403**
Non-current liabilities			
Provisions	23	56,708	39,491
Lease liabilities	24	154,017	233,461
		210,725	**272,952**
Total liabilities		**1,618,451**	**2,234,355**
Net assets		**26,690,902**	**25,275,400**
Equity			
Issued capital	26	96,036,786	81,703,396
Other capital reserves	27	1,670,117	1,319,465
Accumulated (losses)		(71,016,001)	(57,747,461)
Total equity		**26,690,902**	**25,275,400**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Issued capital $	Other capital reserves $	Accumulated losses $	Total $
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	26	25,180,015	19,968	–	25,199,983
Transaction costs on issue of share capital	26	(2,119,518)	–	–	(2,119,518)
Other capital reserves	27	–	1,003,575	–	1,003,575
At 30 June 2020		**81,703,396**	**1,319,465**	**(57,747,461)**	**25,275,400**
As at 1 July 2020		**81,703,396**	**1,319,465**	**(57,747,461)**	**25,275,400**
(Loss) for the year		–	–	(13,268,540)	(13,268,540)
Issue of share capital	26	15,220,527	–	–	15,220,527
Transaction costs on issue of share capital	26	(887,137)	–	–	(887,137)
Other capital reserves	27	–	350,652	–	350,652
At 30 June 2021		**96,036,786**	**1,670,117**	**(71,016,001)**	**26,690,902**

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Operating activities			
Receipts from customers		12,686,917	15,871,296
Payments to suppliers and employees		(22,552,043)	(27,049,529)
Interest received		67,944	125,434
Interest paid		(24,344)	(92,258)
Government grants received	22	327,150	69,078
R&D tax incentive received		–	381,227
Net cash flows (used in) operating activities	13	**(9,494,376)**	**(10,694,752)**
Investing activities			
Proceeds from sale of livestock	18	779,117	–
Proceeds from sale of property, plant and equipment		1,681	6,424
Purchase of property, plant and equipment	19	(17,078)	(43,041)
Purchase of intangible assets	20	(351,824)	(17,325)
Net cash flows (used in)/from investing activities		**411,896**	**(53,942)**
Financing activities			
Proceeds on issue of shares		15,220,527	48,654,598
Transaction costs on issue of shares	26	(944,470)	(4,267,170)
Repayment of selling shareholders		–	(23,654,600)
Repayment of lease liabilities		(118,276)	(66,720)
Repayment of borrowings		–	(10,790,403)
Net cash flows from financing activities		**14,157,781**	**9,875,705**
Net increase/(decrease) in cash and cash equivalents		5,075,301	(872,989)
Cash and cash equivalents at 1 July		9,443,093	10,314,376
Net foreign exchange difference		(3,749)	1,706
Cash and cash equivalents at 30 June	13	**14,514,645**	**9,443,093**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

Note 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 2021 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 and 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 29.

For the year ended 30 June 21 the Group made a loss after tax of $13,268,540 (2020: loss $10,902,865) and had an operating cash outflow of $9,494,376 (2020: outflow $10,694,752). Notwithstanding the historic financial performance, the Board considers the Group to be a going concern based on the cash available at balance date and forecasted future results and cashflows for the next 12 months.

Note 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 (IASB).

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 2021. 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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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.

Subsequent measurement

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

- Financial assets at amortised cost
- 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

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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 from contracts with customers

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
- 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.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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 and 30 June 2021.

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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Research and 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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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. If an active liquid market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. The relevant one is defined as the one which the entity is expected to use. If an active liquid market does not exist, the estimated present value of the expected net cash flows from the asset discounted at a current market determined rate is used in determining fair value 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 20 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. Development costs capitalised in relation to new product development have been assigned a useful life of 5 years. This represents the expected period after which further innovation will be carried out to maintain our position as a leader in the goat infant formula market.

Licence costs

Licence costs relate to costs incurred in application for SAMR Brand Registration Licence, which will enable the Group to sell Chinese-label products within offline channels in China. Initial capitalisation of costs is based upon management's judgement that it is probable that the asset will generate future economic benefits and will be recoverable. Following initial recognition of the licence costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

The major component of licence costs relates to amounts paid to Nuchev's manufacturing partner for manufacturing slot reservation and services to assist Nuchev with the SAMR registration process. The manufacturing slots were being amortised over time in accordance with its initial contractual term of five years. Licence costs were fully impaired at 30 June 2021.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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 costs	Development costs	Trademarks	Software
Useful lives	Finite (3 – 5 years)	Finite (5 years)	Indefinite	Finite (2 – 5 years)
Amortisation method used	Amortised on a straight-line basis	Amortised on a straight-line basis	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.

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 operates in.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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 for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, '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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Note 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 and Note 20)

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.

During the year a new product formulation was designed, with the roll out to all channels expected to be completed by December 2021. A provision has been raised against old formulation inventory in the instance that the net realisable value is expected to be less than cost.

Impairment of non-financial assets

Impairment of non-financial assets 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.

Licence costs

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

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

In assessing the COVID-19 travel restrictions, regulatory and geo-political risks associated with the registration process, management considers that it is now less than likely that the registration through an Australian based manufacturer will be successful. The company remains focused on pursuing options to achieve registration with the SAMR to sell in the offline environment in China. An impairment charge was recorded for the year ended 30 June 2021 and the carrying value of its capitalised costs is now nill.

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 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 Model or Monte Carlo simulation. 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 consideration to be included in the transaction price for the sale of goat milk-based 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).

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 affects the Daigou channel
- Impact of governmental shutdown measures on international logistics and supply chains
- Impact of the pandemic on global economies and geo-politics.

Specifically for the Group, manufacturing infant formula products has seen little impact through the effects of COVID-19, as these 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)

Note 4. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2021	% equity interest 2020
Nuchev Food Pty Ltd	Manufacture and sale of goat milk-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.

Note 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:

	2021 $	2020 $
Type of good		
Formula and nutritional powders	10,163,207	16,607,000
Raw materials	736,135	1,156,252
Total revenue from contracts with customers	**10,899,342**	**17,763,252**
Geographical markets		
Australia	5,171,382	12,850,688
China	5,526,000	4,912,564
Vietnam	201,960	–
Total revenue from contracts with customers	**10,899,342**	**17,763,252**
Timing of revenue recognition		
Goods transferred at a point in time	**10,899,342**	**17,763,252**

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

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

5.2 Right of return assets and refund liabilities

	2021 $	2020 $
Right of return assets (Note 17)	5,164	5,240
Refund liabilities (Note 25)	(9,275)	(12,929)

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.

Note 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 2021 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 Board.

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

	2021 $	2020 $
Loss before interest, tax, amortisation and depreciation (EBITDA)	11,312,820	9,580,489
Depreciation and amortisation	816,765	334,960
Impairment of intangible assets	903,072	–
Livestock fair value adjustments	252,289	338,100
Finance costs	49,481	776,807
Finance income	(65,887)	(127,491)
Loss before tax	**13,268,540**	**10,902,865**

Geographical Information

	2021 $	2020 $
Net revenue		
Australia	5,171,382	12,850,688
China	5,526,000	4,912,564
Vietnam	201,960	–
	10,899,342	**17,763,252**

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 2021, the revenue for these customers amounted to $6,837,798 (2020: $11,040,917).

Note 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.

	2021 $	2020 $
Lease liabilities	286,327	386,264
Trade and other payables	1,061,329	1,550,301
Less: Cash and short-term deposits	(14,514,645)	(9,443,093)
Net debt/(cash)	**(13,166,989)**	**(7,506,528)**
Equity	26,690,902	25,275,400
Capital and net debt/(cash)	**13,523,913**	**17,768,872**
Gearing ratio	**–97%**	**–42%**

No changes were made in the objectives, policies or processes for managing capital during the period.

Note 8. Other income/expenses

8.1 Other income

	2021 $	2020 $
R&D tax incentive	–	381,227
Grants received (Note 22)	327,150	200,017
Rental income	120,081	170,972
Sundry income	14,842	12,424
Total other income	**462,073**	**764,640**

8.2 Finance income and costs

	2021 $	2020 $
Finance income		
Interest income	**65,887**	**127,491**
Finance costs		
Interest on debts and borrowings	2,119	2,793,193
Interest on lease liabilities	40,132	48,500
Fees and charges	7,230	155,889
Fair value adjustment on embedded derivative	–	(2,098,347)
Loss/(gain) on derecognition of embedded derivative	–	(122,428)
Total finance costs	**49,481**	**776,807**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

8.3 Loss for the year

	2021 $	2020 $
Included in cost of sales:		
Costs of inventories recognised as an expense	7,443,886	11,784,272
Included in marketing and selling expenses:		
Share-based payments – distributor incentive (Note 28)	–	772,000
Included in general and administration expenses:		
Depreciation and amortisation expenses	158,997	148,980
Transaction costs associated with capital raise/IPO (Note 26)	57,333	2,147,652
Write-off of contract assets (Note 17)	85,600	–
Included in other expenses:		
Net foreign exchange losses	100,931	367,510
Amortisation expense – licence and development costs	657,768	152,976
(Gain)/Loss on disposal of property, plant and equipment	45,690	(6,424)
Impairment of property, plant and equipment	–	33,004
Inventory obsolescence	146,608	81,113
Inventory provision	401,292	(188,922)
Research costs (manufacturing)	232,051	214,649
Included in impairment expense:		
Impairment of intangible assets (Note 20)	903,072	–

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

8.4 Employment expenses

	2021 $	2020 $
Included in employment expenses		
Wages and salaries	3,675,178	3,568,346
Post-employment benefits other than pensions	271,673	280,186
Share option payment expense (Note 27)	350,652	165,943
Total employee benefits expense	**4,297,503**	**4,014,475**

Note 9. Income tax expense

The major components of income tax expense for the years ended 30 June 2021 and 2020 are:

Consolidated statement of profit or loss	2021 $	2020 $
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 2021 and 2020:

	2021 $	2020 $
Accounting (loss) before income tax	(13,268,540)	(10,902,865)
At Australia's statutory income tax rate of 26% (2020: 27.5%)	(3,449,820)	(2,998,288)
Non-taxable/deductible income/expenses for tax purposes:		
R&D tax incentive exempted from tax	–	(104,837)
Non-assessable income	(13,000)	(13,750)
Non-deductible expenses	152,826	433,062
Other assessable income	12,597	–
Current year movement in deferred tax not recognised	112,470	22,186
Current income tax losses not recognised at 26% (2020: 27.5%)	3,184,927	2,661,627
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 $15,202,811 (2020: $13,866,789) at the tax rate of 26% (2020: 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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 10. Loss per share ('LPS')

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

Diluted LPS is calculated by dividing the loss 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 LPS calculations:

	2021 $	2020 $
Loss used to calculate basic and diluted LPS	(13,268,540)	(10,902,865)
Weighted average number of ordinary shares for basic LPS	50,940,184	40,709,096
Basic LPS (dollars)	(0.26)	(0.27)
Diluted LPS (dollars)	(0.26)	(0.27)

Note 11. Financial assets and financial liabilities

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, and accounts receivable and payable.

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

	2021 $	2020 $
Debt instruments at amortised cost		
Cash and short-term deposits (Note 13)	14,514,645	9,443,093
Trade and other receivables (Note 14)	1,079,885	3,274,201
Other assets (Note 17)	81,826	67,362
Total financial assets	**15,676,356**	**12,784,656**
Total current	**15,607,832**	**12,717,294**
Total non-current	**68,524**	**67,362**

11.2 Financial liabilities

	2021 $	2020 $
Financial liabilities		
Trade and other payables (Note 21)	1,061,329	1,550,301
Total financial liabilities	**1,061,329**	**1,550,301**
Total current	**1,061,329**	**1,550,301**
Total non-current	**–**	**–**

Note 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 Australia and New Zealand Banking Group Limited, 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 2021.

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:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Foreign currency sensitivity

Assets/Liabilities at 30 June 2021	Currency	Exposure	AUD	+/-5% mvmt pre tax P&L impact $
Cash and short-term deposits	RMB	210,054	43,263	(2,060)/2,277
Cash and short-term deposits	USD	1,945	2,587	(123)/136
Cash and short-term deposits	EUR	998,040	1,579,178	(75,199)/83,115
Trade and other receivables	RMB	746,119	153,671	(7,318)/8,088
Trade and other receivables	USD	–	–	–
Trade and other payables	RMB	–	–	–
Trade and other payables	USD	(18,054)	(24,015)	1,144/(1,264)
Other assets	RMB	300,000	61,788	(2,942)/3,252
Other assets	USD	10,000	13,302	(635)/609

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

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 2021						
Trade and other payables	–	1,061,329	–	–	–	1,061,329
Lease liabilities	–	39,633	118,900	164,478	–	323,011
	–	**1,100,962**	**118,900**	**164,478**	**–**	**1,384,340**

	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**

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 using a provision matrix:

30 June 2021	Current	One month	Two months	Three months +	Total $
Expected credit loss rate	0.42%	2.00%	5.00%	100%	23.53%
Estimated total gross carrying amount at default	580,613	258,295	197,687	296,100	1,332,695
Expected credit loss	**2,453**	**5,166**	**9,884**	**296,100**	**313,603**

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**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 13. Cash and short-term deposits

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 2021, the Group had available $250,000 (2020: $2,250,000) 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:

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

The trade credit facility remains undrawn as at the 30 June 2021.

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

	2021 $	2020 $
Cash at bank and on hand	14,184,645	7,113,093
Short-term deposits	330,000	2,330,000
	14,514,645	**9,443,093**

	2021 $	2020 $
Cash flow reconciliation		
Reconciliation of net (loss) before tax to net cash flows from operations:		
(Loss) before tax	(13,268,540)	(10,902,865)
Adjustments to reconcile (loss) before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	53,317	72,774
Depreciation of right of use assets	102,314	102,314
Amortisation of intangible assets	661,134	159,871
Impairment of intangible assets	903,072	–
(Gain)/Loss on disposal of property, plant and equipment	45,690	(6,424)
Livestock fair value adjustments	252,289	338,100
Share-based payment expense	350,652	937,943
Finance costs	17,908	680,057
Net foreign exchange differences	3,753	258,267
Movements in provisions	368,662	(166,422)
Transaction costs associated with capital raise/IPO	57,333	2,147,652
Provision for expected credit losses	269,375	36,084
Working capital adjustments:		
(Increase)/decrease in trade receivables and other assets	3,054,207	(2,986,786)
Decrease/(increase) in inventories	(1,872,917)	(1,519,463)
Increase/(decrease) in trade and other payables	(492,625)	154,146
Net cash flows used in operating activities	**(9,494,376)**	**(10,694,752)**

Note 14. Trade and other receivables

	2021 $	2020 $
Trade receivables	1,332,695	3,178,371
Allowance for expected credit losses	(313,603)	(44,228)
	1,019,092	3,134,143
Accrued income	–	3,251
Other receivables	60,793	57,526
Net GST receivable	–	79,281
	1,079,885	**3,274,201**

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:

	2021 $	2020 $
At 1 July	(44,228)	(34,233)
Provision for expected credit losses	(269,375)	(36,084)
Write-off	–	26,089
At 30 June	**(313,603)**	**(44,228)**

The information about the credit exposures are disclosed in Note 12.

Note 15. Prepayments

	2021 $	2020 $
Inventory prepayments	141,324	1,161,136
Other	243,557	272,829
	384,881	**1,433,965**

Note 16. Inventories

	2021 $	2020 $
Raw materials (at cost)	4,854,881	2,414,385
Work in progress (at cost)	3,365,320	3,208,297
Finished goods (at cost)	4,309,876	5,034,478
Less: Provision	(1,179,436)	(787,433)
	11,350,641	**9,869,727**

During the year a new product formulation was designed, with the roll out to all channels expected to be completed by December 2021. At 30 June 2021 an amount of $1,177,777 has been provided against old formulation inventory in the instance that the net realisable value is expected to be less than cost.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 17. Other assets

	2021 $	2020 $
Current		
Incremental costs of obtaining a contract	–	85,600
Deposits	13,302	–
Right of return asset (Note 5.2)	5,164	5,240
	18,466	**90,840**
Non-current		
Rental bond	1,735	686
Deposits	66,789	66,676
	68,524	**67,362**

A contract asset was recorded in relation to consulting services in assisting to pursue options for the Group's products being registered for sale in certain export markets. The performance requirements of the consulting contract were not met and therefore the contract asset has been written down to nil.

Note 18. Biological assets – livestock

	2021 $	2020 $
Non-current		
Goats – at fair value less estimated sale costs	**–**	**1,039,950**

Movements in carrying amounts of biological assets:

	Goats No.	Goats $
At 1 July 2020		1,039,950
Gain/(loss) from changes in fair value less estimated sale costs		(252,289)
Net proceeds from sale of goats		(787,661)
At 30 June 2021	**–**	**–**
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**

In June 2021, the Group sold its goat herd to an external party. The total consideration received for the goats was $829,117, with attributable costs to sell of $41,456. Of the total consideration $779,117 was received in cash within the financial year, $50,000 was received after balance date. Attributable costs to sell were paid after balance date. The net fair value loss on disposal recognised was $252,289.

Note 19. Property, plant and equipment

	2021 $	2020 $
Leasehold improvements:		
At cost	7,689	64,515
Accumulated depreciation	(1,538)	(56,826)
	6,151	7,689
Plant and equipment:		
At cost	248,163	459,902
Accumulated depreciation and impairment	(151,087)	(280,754)
	97,076	179,148
Total property, plant and equipment	**103,227**	**186,837**

	Leasehold improvements $	Plant and equipment $	Total $
Movement in carrying amounts			
At 1 July 2020	7,689	179,148	186,837
Additions	–	17,078	17,078
Disposals/Refunds	–	(47,371)	(47,371)
Impairment	–	–	–
Depreciation	(1,538)	(51,779)	(53,317)
At 30 June 2021	**6,151**	**97,076**	**103,227**

	Leasehold improvements $	Plant and equipment $	Total $
Movement in carrying amounts			
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**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 20. Intangible assets

	2021 $	2020 $
Licence costs:		
At cost	1,473,462	1,473,462
Accumulated impairment	(675,242)	–
Accumulated amortisation	(798,220)	(152,976)
	–	1,320,486
Development costs		
At cost	570,070	227,830
Accumulated impairment	(227,830)	–
Accumulated amortisation	(12,524)	–
	329,716	227,830
Trademarks:		
At cost	245,105	235,521
Software:		
At cost	204,105	204,105
Accumulated amortisation	(194,469)	(191,103)
	9,636	13,002
Total intangible assets	**584,457**	**1,796,839**

Licence Costs

For licence costs, the carrying amount represents the costs associated with Nuchev brand registration process with China State Administration for Market Regulation (SAMR) through Nature One Dairy. The estimation of the value in use requires assessing the probability of a successful outcome of the registration through the assessment of the progress of the application process, historical rejections and approvals, expected changes in regulatory requirements for infant formula brand registration and market information in China.

In this process, management has also considered the risks and uncertainties in relation to the recoverability of the licence costs. In assessing the COVID-19 travel restrictions, regulatory and geo-political risks associated with the registration process, management considers that it is now less than likely that the registration through an Australian based manufacturer will be successful. The company remains focused on pursuing options to achieve registration with the SAMR to sell in the offline environment in China. An impairment charge of $675,242 was recorded for the year ended 30 June 2021.

Development Costs

Nuchev is currently reviewing its product portfolio, which includes innovative and reformulated products aiming at capitalising on the super-premium category of the goat infant formula market. As such an impairment charge of $227,830 has been recognised as at 30 June 2021, reflecting that the economic benefits of the original formulation has been consumed following the launch of new reformulated and innovative products in 2021. During the year a total of $342,240 has been capitalised relating to new product development during the year ended 30 June 2021.

Impairment Assessment

Given the impact of COVID-19 on the company's revenue and losses, management has performed the impairment test for non-financial assets. The entire operations of the company are considered as one single cash-generating unit (CGU). The recoverable amount of the CGU has been compared to its carrying amount as at 30 June 2021, with the recoverable amount being estimated based on value in use.

The result of the impairment test found that the recoverable amount of the CGU exceeds its carrying amount and did not result in any impairment charges being recognised beyond the impairment for license costs and development costs discussed above.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The recoverable amount of assets has been determined based on a value in use calculation using a discounted cash flow projection.

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

- Gross margins
- Discount rate
- Terminal growth rate

Gross margins – Gross margins are based on budgeted margins for FY22.

Discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC) which is derived from the expected return on investment by the Group's investors. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a post-tax discount rate. A rate of 13% has been used.

Terminal growth rate estimates – Rates are based on industry research with consideration given to the maturity of the business. A rate of 3% has been used.

As at 30 June 2021 the Group's recoverable amount of assets exceeds their carrying amounts. The following would need to occur in isolation in order for the calculated recoverable amount to approximately equal the carrying amount; gross margin reduction of 1%, discount rate increase of 4%; or terminal growth rate reduction of 28%.

Movements in carrying amounts of intangible assets

	Licence Costs $	Development Costs $	Trademarks $	Software $	Total $
Movement in carrying amounts					
At 1 July 2020	1,320,486	227,830	235,521	13,002	1,796,839
Additions	–	342,240	9,584	–	351,824
Disposals	–	–	–	–	–
Impairment	(675,242)	(227,830)	–	–	(903,072)
Amortisation	(645,244)	(12,524)	–	(3,366)	(661,134)
At 30 June 2021	**–**	**329,716**	**245,105**	**9,636**	**584,457**

	Licence Costs $	Development Costs $	Trademarks $	Software $	Total $
Movement in carrying amounts					
At 1 July 2019	1,473,462	227,830	220,474	17,619	1,939,385
Additions	–	–	15,047	2,278	17,325
Disposals	–	–	–	–	–
Impairment	–	–	–	–	–
Amortisation	(152,976)	–	–	(6,895)	(159,871)
At 30 June 2020	**1,320,486**	**227,830**	**235,521**	**13,002**	**1,796,839**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 21. Trade and other payables

	2021 $	2020 $
Trade payables	307,468	869,608
Other payables and accrued expenses	709,960	680,693
Net GST payable	43,901	–
	1,061,329	**1,550,301**

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

Note 22. Government grants

	2021 $	2020 $
At 1 July	–	63,882
Received during the year	327,150	200,000
Released to the statement of profit or loss	(327,150)	(200,017)
Grant funds returned	–	(63,865)
At 30 June	**–**	**–**

Government grants have been received for assistance in exporting Australian made products to overseas markets, and investment in research and development. Government grants for COVID-19 related support were also received in FY21.

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

Note 23. Provisions

	Annual Leave $	Long service leave $	Total $
At 1 July 2020	245,370	39,491	284,861
Arising during the year	229,563	17,217	246,780
Utilised	(270,121)	–	(270,121)
At 30 June 2021	**204,812**	**56,708**	**261,520**
Total current	**204,812**	**–**	**204,812**
Total non-current	**–**	**56,708**	**56,708**

	Annual Leave $	Long service leave $	Total $
At 1 July 2019	131,188	29,744	160,932
Arising during the year	261,494	9,747	271,241
Utilised	(147,312)	–	(147,312)
At 30 June 2020	**245,370**	**39,491**	**284,861**
Total current	**245,370**	**–**	**245,370**
Total non-current	**–**	**39,491**	**39,491**

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.

Note 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	
	2021 $	2020 $
As at the 1 July	306,941	409,255
Additions	–	–
Depreciation expense	(102,314)	(102,314)
As at 30 June	**204,627**	**306,941**

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

	2021 $	2020 $
As at the 1 July	386,264	409,255
Additions	–	–
Interest	40,132	48,500
Payments	(140,069)	(71,491)
As at 30 June	**286,327**	**386,264**
Current	132,310	152,803
Non-current	154,017	233,461

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

The following are the amounts recognised in profit or loss:

	2021 $	2020 $
Depreciation of right-of-use assets	102,314	102,314
Interest expense on lease liabilities	40,132	48,500
Expense relating to short-term leases	7,046	56,963
Expense relating to leases of low-value assets	1,632	1,632
Total amount recognised in profit or loss	**151,124**	**209,409**

The Group had total cash outflows for leases of $140,069 in 2021 (2020: $71,491). The lease contracts for office spaces contain fixed rental increases and no variable payments, termination options or extensions. Total weighted average lease term is 2 years (2020: 3 years).

Note 25. Other liabilities

	2021 $	2020 $
Current		
Contract liability – right of return (Note 5.2)	9,275	12,929
Total other liabilities	**9,275**	**12,929**

Note 26. Issued capital

	2021 $	2020 $
51,774,398 fully paid ordinary shares (2020: 45,000,357)	**96,036,786**	**81,703,396**

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 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**
Shares issued:		
August 2020	6,532,415	15,220,527
December 2020	211,626	–
Equity related transaction costs	–	(887,137)
At 30 June 2021	**51,774,398**	**96,036,786**

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

During August 2020, the company completed a capital raise by way of an accelerated non-renounceable entitlement offer ('Entitlement Offer') and institutional placement ('Placement'). The purpose of the capital raise was to invest in growth opportunities and potential strategic partnerships to support operations:

- 3,864,736 new shares were issued as part of the institutional entitlement at $2.33 per share for $9.0 million in proceeds;
- 1,388,767 new shares were issued as part of the institutional placement at $2.33 per share for $3.2 million in proceeds;
- 1,278,912 new shares were issued as part of the retail offer at $2.33 per share for $3.0 million in proceeds;
- $944,470 of transaction costs were incurred through the capital raise, of which $57,333 has been expensed in the profit and loss with the remaining amount of $887,137 recognised against the share capital raised.

On the 8th of December 2020, a total of 211,626 shares were issued to a strategic distributor in accordance with their equity incentive scheme upon meeting of their performance objectives.

Note 27. Other capital reserves

	2021 $	2020 $
Balance at the beginning of the period	1,319,465	295,922
Share-based payments – employee	350,652	165,943
Share-based payments – distributor incentive	–	857,600
Balance at the end of the period	**1,670,117**	**1,319,465**

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:

Note 28. Share-based payments

Employee share based payments

Share-based payments – FY21 Long Term Incentive Plan

In November 2020, a total of 1,092,185 options were provided to senior executives as part of the November 2020 Equity Incentive Plan (EIP). The share options were issued for no cost, however, have an exercise price of $2.553 per option and convert to an equal number of shares on vesting which occurs on meeting both the continuous employment and performance conditions (market and non-market) to 30 June 2023. Options expire five years after grant and do not carry dividend or voting rights prior to exercise. The options lapse on cessation of employment, subject to Board discretion. The fair value of the options at grant date was $0.405 per option determined using a Monte Carlo Simulation, refer to table for inputs used.

FY21 Employee Rights

In July 2020, a total of 39,480 rights were provided to a senior executive for no cost as part of the Equity Incentive Plan (EIP). The share rights convert to an equal number of shares on vesting which occurs with continuous employment three years from the date of issue. The vesting conditions require the meeting of both performance conditions and continuous service conditions to 30 June 2023. The rights lapse on cessation of employment, subject to Board discretion. The fair value of the rights at grant date was $2.135, refer to table for inputs used.

FY20 Long Term Incentive Plan

In December 2019 as part of the IPO 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, refer to table for inputs used.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

FY20 Employee Rights

In addition 23,076 share rights were issued 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 table for inputs used.

FY16/17 Long Term Incentive 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 five 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, refer to table for inputs used.

Assumption	FY16/17 LTI	FY20 Rights	FY20 LTI	FY21 Rights	FY21 LTI
Exercise price	$2.500	N/A	$2.600	N/A	$2.553
Term of option/right (expiry)	5 years	3 years	5 years	3 years	5 years
Fair value at grant date	$0.6622	$2.600	$0.649	$2.135	$0.405
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	40%	35%	35%	69%	69%
Risk-free rate	2%	1%	1%	0.29%	0.19%

Non-employee 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. During the year a total of 211,626 shares were issued in accordance with this agreement. No further shares have vested under this agreement.

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.

No shares have vested under this agreement.

Reconciliation of employee share options/rights

Plan	Exercise price per option $	1 July 2019	Granted	Lapsed	30 June 2020	Granted	Lapsed	30 June 2021
FY16/17 LTI	2.500	**541,250**	–	–	**541,250**	–	–	**541,250**
FY20 Rights	–	**–**	23,076	–	**23,076**	–	(2,885)	**20,191**
FY20 LTI	2.600	**–**	1,509,559	(175,140)	**1,334,419**	–	(105,087)	**1,229,332**
FY21 Rights	–	**–**	–	–	**–**	39,480	–	**39,480**
FY21 LTI	2.553	**–**	–	–	**–**	1,092,186	(83,800)	**1,008,386**
Total		**541,250**	**1,532,635**	**(175,140)**	**1,898,745**	**1,131,666**	**(191,772)**	**2,838,639**
VWAP $		**2.50**			**2.57**			**2.56**
Vested					**463,108**			**541,250**

The weighted average remaining contractual life of the outstanding options as at 30 June 2021 was 3.2 years (2020: 3.6 years).

No options expired or were exercised 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 $350,652 (2020: $165,943).

Total expenses arising from share-based payment transactions recognised during the period as part of selling & marketing expense were $nil (2020: $772,000).

Note 29. 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.

		Purchased from related parties $	Interest $	Amounts owed to related parties $
Entities with significant influence over the Group:				
Shareholder: 402339 Pty Ltd	2021	–	–	–
	2020	–	151,398	–
Shareholder: Snowflake Holdings Pte and related entities	2021	–	–	–
	2020	–	542,526	–
Key management personnel of the Group				
Other directors' interests	2021	57,601	–	45,601
	2020	21,000	–	–

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Transactions with key management personnel

Other directors' interests

During the year, purchases totalling $12,000 were made by Group companies to non-executive director Owens Chan. These consulting services were provided on arm's length terms and works are completed.

A close family member of CEO, Tom Dingle, acted as agent for Nuchev in the transaction for the sale of biological assets. A commission on the sale totalling $45,601 was charged for these services and remained due as at reporting date. These services were provided on arm's length terms.

Compensation of key management personnel of the Group

	2021 $	2020 $
Short-term employee benefits	1,116,558	1,134,391
Post-employment benefits	70,124	74,011
Share-based payments	155,097	82,933
	1,341,779	**1,291,335**

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

Note 30. 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: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 2 Inventories: Determining net realisable value of inventories

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under IAS 2 Inventories (the international equivalent of AASB 102). The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report, however based on preliminary analysis performed, the Group isn't expecting a material impact from the adoption of the IFRIC agenda decision. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

The amendments are not expected to have a material impact on the Group.

Note 31. Events after the reporting period

The directors of the Group are not aware of any other matter or circumstance not provided for in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations of the state of affairs in the year ended 30 June 2021.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

Note 32. Information relating to Nuchev Ltd (the Parent)

	2021 $	2020 $
Current assets	12,536,314	9,627,143
Total assets	62,768,467	54,482,095
Current liabilities	1,016,629	1,272,700
Total liabilities	1,073,337	1,312,491
Issued capital	96,036,786	81,703,396
Accumulated losses	(36,011,772)	(29,852,957)
Other capital reserves	1,670,117	1,319,465
(Loss) of the Parent entity	(6,158,817)	(5,933,001)
Total comprehensive (loss) of the Parent entity	(6,158,817)	(5,933,001)

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.

Note 33. Auditor's remuneration

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

	2021 $	2020 $
Audit fees – Ernst & Young	160,000	105,000
Transaction services IPO – Ernst & Young	–	305,800
Non-Audit fees – Ernst & Young	–	–
	160,000	**410,800**

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 2021 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 2021 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 295 of the Corporations Act 2001 for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the directors.

Justin Breheny
Chairman

30 August 2021

Ben Dingle
Managing Director and Chief Executive Officer

Independent Auditor's Report

Building a better working world

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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 2021, 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 2021and 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 judgement, 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.

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Revenue recognition

Why significant	How our audit addressed the key audit matter
At 30 June 2021, the Group recorded revenue of $ 10.90 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 may be complexity and judgement in determining sales revenues. Revenue is also an important element as to how the Group measures its performance. Accordingly, we consider this to be a key audit matter. The Group's disclosures with respect to revenue from contracts with customers are contained in Note 5 to the financial report.	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 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.

Independent Auditor's Report

Inventory

Why significant	How our audit addressed the key audit matter
As at 30 June 2021, the carrying amount of inventory was $11.35 million, net of a provision for inventory obsolescence of $1.18 million. Inventory is valued at the lower of cost or net-realisable value (NRV). Senior management closely monitor the quality and shelf life (best before date) of inventory on a regular basis and assess the potential for inventory obsolescence, taking into account sales expectations. Under Nuchev's inventory valuation policy, a provision is raised against inventory with less than six months remaining from product expiry date. In the current year Nuchev also changed its product formulation and recognised an additional NRV provision in relation to the old formulation inventory held in Australia and China. We considered the valuation of inventory a key audit matter given the relative size of the balance in the Consolidated Statement of Financial Position and the judgements involved in estimating the inventory provision. The Group's disclosures with respect to inventory are contained in Note 16 to the financial report.	The procedures we performed with respect to inventory were: • Performed a walkthrough to understand the adequacy of the design of the inventory existence and valuation processes • Substantively tested inventory existence by attending inventory counts at the major operating locations and obtaining stock confirmation from third party logistics providers for a sample of other sites • Tested inventory costings to invoices from suppliers of goods and suppliers of contract manufacturing services • We tested the integrity of the inventory aging report by checking a sample of product expiry dates to third party manufacturing reports • Assessed whether adequate provision was made for aged and old formulation product taking into account the value of stock on hand at year end and expected sales in FY22 • Assessed the adequacy of the Group's disclosures concerning significant accounting estimates and judgements and Inventory note to the 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 2021 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.

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.

Independent Auditor's Report

- 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.

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 28 to 38 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Nuchev Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Kester Brown
Partner

Melbourne
30 August 2021

Shareholder Information

The information is current as at 2 August 2021.

a. Distribution of equity securities

Range	Shares	Total Holders	% of Shares
1 – 1,000	240,421	460	0.5%
1,001 – 5,000	1,310,531	478	2.5%
5,0001 – 10,000	1,573,179	204	3.0%
10,001 – 100,000	5,947,167	213	11.5%
100,001 Over	42,673,100	40	82.5%
Total	**51,744,398**	**1,395**	**100.00%**

b. Unmarketable parcels

	Parcel size	Holders	Units
$500 parcel at $0.585 per unit	854	344	137,840

c. Equity security holders

Twenty largest quoted equity security holders (ordinary shares)

	Number held	% of issued shares
Ben McFarlane Dingle	11,976,000	23.14%
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA Nv A/C>	11,646,491	22.51%
402339 Pty Ltd <The Whiti A/C>	9,802,591	18.94%
402339 Pty Ltd	1,368,686	2.65%
CW Investment Holdings Pty Ltd <CW Investment Holdings A/C>	1,030,000	1.99%
Kirwood Capital Direct Investments 1 Pty Ltd <Kirwood Cap Direct Invest 1>	1,000,000	1.93%
Superhero Nominees Pty Ltd	342,777	0.66%
Justin Breheny	267,429	0.52%
Mr Tian Yong Liu & Mrs Wei Ying Jiang	260,272	0.50%
Mango & Chubb Pty Ltd <Superannuation Fund A/C>	240,000	0.46%
Citicorp Nominees Pty Limited	235,838	0.46%
Thomas Edward Dingle & Patricia Jessie Dingle <Clyde Hill A/C>	225,000	0.43%
BK Custodian Pty Ltd <Earle/Blackwell Family A/C>	224,871	0.43%
Breheny Enterprises Pty Ltd <Breheny Investments A/C>	222,858	0.43%
Working Dog Investments Pty Ltd <The Working Dog A/C>	195,801	0.38%
Ataturk Investments Pty Ltd	194,240	0.38%
Mr Brendan Anthony Earle	187,756	0.36%
Breheny Corporation Pty Ltd <Breheny Family Fund>	185,715	0.36%
Fir Nominees Pty Limited <TRS A/C>	181,043	0.35%
Top End Enterprises Pty Ltd <Atkins Super Fund A/C>	177,311	0.34%
Sharma Investments Pty Ltd <Sharma Invest Disc A/C>	177,311	0.34%
Total	**40,141,990**	**77.58%**

d. Substantial shareholders

As at the 2 August 2021, 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 McFarlane Dingle	23,147,277	44.91%
Mithaq Capital SPC	11,584,873	22.35%
	34,732,150	67.26%

e. Escrow securities

As at the 2 August 2021, the shares subject to escrow arrangements are:

Number of shares	Escrow end date	Early release date and conditions
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	3,269,938	20

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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	Level 10, 420 St Kilda Road, Melbourne VIC 3004 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 and Chief Executive Officer | Executive Director Selina Lightfoot | Non-Executive Director Michelle Terry | Non-Executive Director Jeff Martin | Non-Executive Director Owens Chan | Non-Executive Director
Company secretary	Chantelle Pritchard

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