



Food for a *better life*





Our story

Nuchev was founded in Australia by fifth generation dairy farmer Ben Dingle in 2013, with a vision to make lives better for families around the world through better nutrition for all.

Ben recognised that consumer awareness and demand for premium nutritional products that aid digestion and immunity was increasing due to their differentiated health and functional benefits. Demand for premium nutritional products including goat milk, as an alternative to other milk products, was on the rise.

Three short years later, in 2016, our premium goat milk infant formula brand, Oli6®, was born. Drawing on decades of dairy farm leadership, innovation and agricultural best practice, Ben combined the power of nature and science to create a world class formulation that would aid digestion and immunity.

A rich source of essential vitamins and minerals, Oli6® is the only goat infant formula globally to include human milk oligosaccharides in stages one and two for enhanced nutritional and digestive benefits.

Through our scientific research partnerships with RMIT (Royal Melbourne Institute of Technology) and the University of Melbourne, our Australian made range of premium infant formula and nutritional products continues to grow with our customers, supporting overall health and wellbeing for a better life, at any age.



At *NucheV*, our purpose guides us to create *Food for a Better Life* – to improve families' lives.

It's central to everything we do. This year, our purpose energised us to reset our strategy – to better position ourselves for profitable and scalable growth, building on our foundations through innovation.

We're on a mission to improve more lives through premium nutrition to aid digestion and immunity for all.



Food for a *better* life

We are committed to
improving families' lives

DEMONSTRATED BY

Leadership in premium digestion and immunity

Backed by science

Fuelled by consumer led innovation

World class ingredients

SUPPORTED THROUGH

Premium nutrition

Consumer endorsement

Gold standard, Australian made quality

Safe and reliable supply chain

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Leading with purpose

Chair and Founder's report



Justin Breheny Chair



Ben Dingle Founder
& Executive Director

Dear Shareholders

We are pleased to present the Annual Report for Nuchev Limited for the financial year ended 30 June 2022.

While solid progress has been achieved in FY22, we have encountered challenging market conditions, as the world learns to live with the continuing impacts of the global COVID-19 pandemic. The Nuchev team has adapted to this new paradigm with resilience and a commitment to our purpose of providing *Food for a Better Life*.

We have maintained our focus on shifting our sales to channels that will deliver sustainable growth and positive margins for our Oli6® brand – a brand that is backed by science, fuelled by consumer-led innovation that uses world class ingredients.

We continue to maintain a capital light business model which, with a disciplined approach to managing our cash, means that we can respond quickly to demand in Australia, New Zealand and China. We are continuing to explore further options in additional international markets.

In FY22, the business reported a decline in revenue of 11% to \$9.7 million and volume decline of 10% to 370.2 MT. This reflects the ongoing effects felt across the industry, including continued retraction of the Daigou channels, COVID-related lockdowns in each of the Australian states and territories, as well as much of China.

¹ GMI Lightspeed market research November 2020 ² Core business excludes sales of raw material ingredients. ³ IRI Scan Data YTD to June 2022

Our response has been to adapt and focus on expanding our Australian retail sales channels, building on sales to Coles and launching into Woolworths towards the end of the fourth quarter of FY22, as well as maintaining strong sales levels in Chemist Warehouse.

The company's supply chain has ensured our uncompromising commitment to safety and quality, coupled with strong continuity of supply, supported by our ongoing relationships with world-class manufacturing partners. This focus remains core to our strategy and philosophy. The quality of our products remains a cornerstone of the Oli6® brand, with our reputation for high-quality, nutritional products that deliver functional benefits evidenced by independent research results¹.

The team bolstered its capability at an executive management level during the year. On 30 May 2022, the company announced the appointment of Mr Mick Myers to the role of Chief Financial Officer (CFO), having been previously appointed as the interim CFO since 25 March 2022. Mick brings over 30 years' experience working in publicly listed and private companies, most recently as the Group CFO of Simonds Group Limited, having previously held finance executive and CFO roles with Toll Group, MMG Limited, Oz Minerals Limited, Zinifex Limited, and an 18-year career with Deloitte as a principal and account director in audit, forensic and enterprise risk services.

The Nuchev team has adapted with resilience and a commitment to our purpose of providing *Food for a Better Life*.

Cash management and disciplined cost controls

As at 30 June 2022, the company maintains a robust and flexible balance sheet, with positive working capital, net assets of \$15.8 million, \$5.1 million in cash on hand and no debt, and an undrawn financing facility of \$2.0 million available.

Despite the reduction in revenue and impact of cost pressures in the supply chain, disciplined cost control measures and targeted sales initiatives enabled us to reduce net cashflows used in operations by \$1.2 million.

Increased Average Selling Price and Gross Margin in challenging market conditions

The Average Selling Price (ASP) for our core business² increased 2% yoy and the Gross Margin for our core business² improved from 34% in FY21 to 37.2% in FY22, reflecting the shift in sales of Oli6® and management of our costs.

Sustained consumer offtake drove sales growth in our Australian retail channel

We recorded sustained sales growth in the Australian retail channel, up 127%³ pcp resulting largely from our performance in Coles, where Oli6® is the fastest-growing Goat Milk Infant Formula brand, up +92.7%³ pcp. Oli6® also achieved national ranking in Woolworths in May 2022 across 425 stores which will assist in driving significant growth in FY23.

Average selling price

2% ↑

Gross Margin*

37% ↑ 9.4%

Net revenue

\$9.7M ↓ 11%

*Gross margin percentage is calculated as sales less cost of goods sold, divided by sales.

Nuchev is well positioned to capitalise on the growth opportunities that remain in nutritional food categories including infant formula, with our focus on products for all stages of child development and beyond.

Elevating the Oli6® brand through consumer-led, science-backed innovation and focused marketing

Oli6® positioning is focused on leveraging the brand's unique credentials as a leader in digestion and immunity nutritionals, led by science with key partnerships with University of Melbourne and RMIT.

In Australia, our focus has been on driving product trials and brand awareness through digital to drive sales through Grocery and Pharmacy with lead generation campaigns. In China, plans have been adapted to deliver targeted marketing campaigns to drive the key promotional periods including Chinese New Year, Double 11 Singles Day and the JD 618 mid-year promotion that deliver positive ROI.

In 2021, we launched the Oli6® Premium range product formulation in CBEC and Australian retail channels. This new Oli6® Premium product formulation was the first goat milk infant formula globally to include HMOs in stage one and stage two, and probiotics across the range, offering unique nutrition and digestion benefits to infants and toddlers.

Coupled with this, Star Nutrition developed for children aged over five years, is the only goat milk product of its type with Lactoferrin to aid health and immunity.

Consumer endorsement continues to strengthen

Oli6® has been ranked the number one toddler milk brand in 2021 and 2022 for Product Review and has a five star ranking on Trust Pilot, highlighting our strong consumer endorsement.

We continue to receive positive endorsement from parents who recognise the health benefits, improved digestion and immunity offered by Oli6®.

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.

Our team collaborates with premium raw goat ingredient suppliers and Australian-based manufacturers to deliver goat infant formula to a consistently high quality. We maintained our commitment to safety and quality throughout the supply chain, from ingredient sourcing to manufacturing, distribution and support.

With our flexible business model, we are able to supply markets across Australia, New Zealand and China. We continue to explore further options in the US and other international markets, and pursue further options in China including private zone, online to offline (O2O) and corporate Daigou.

China Cross Border e-Commerce (CBEC) remains challenging

As the global goat infant formula category continues to grow, the CBEC channel remains an important platform to access consumers in China. Balancing the contraction in the total GMIF category post Double 11, Oli6® maintained its position as the number one Australian goat milk infant formula brand in the TMall Flagship Store. In addition, the brand diversified sales through other channels such as O2O, Mumstime and Crazy Sales.

Competitive market activity experienced in FY22 is expected to continue in the CBEC channel into FY23, overlapped by economic uncertainty impacting consumer confidence and demand. In response to the competitive market conditions in CBEC for GMIF, market pricing has been adjusted in the second half of FY22, in combination with disciplined campaign activation.

Expanding our digestion and immunity strategy to deliver scalable growth

We have broadened our core purpose to delivering functional foods and products for a better life. We do this by leading in premium digestion and immunity, backed by science, fuelled by consumer-led innovation and using world class ingredients. As the market continues to evolve, Nuchev is well positioned to expand beyond formulated goat milk. We are actively pursuing innovation and opportunities to increase our product diversification and grow the scale of our business in existing and new markets.

	FY22	FY21	% change
Volume (MT)	333	370	(10%)
Revenue (\$m)	9.7	10.9	(11%)
ASP / MT (\$000) - core*	32.6	32.0	+2%
Gross Margin % - core*	37.2%	34.0%	+9.4%
Adjusted EBITDA ⁴ (\$m)	(10.2)	(11.3)	+9.7%
Net Cash Flows (used in) Operations (\$m)	(8.3)	(9.5)	+12.6%

* excludes raw material ingredient sales
⁴ Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes impairment of other financial assets and livestock fair value adjustments.

Appointment of Chief Executive Officer

We were very pleased to announce the appointment of Greg Kerr as Chief Executive Officer, effective from 14 October 2022. Mr Kerr takes over the role from Mr Dingle who will become an Executive Director and take over the Chair role of the newly formed Strategy, and Mergers and Acquisitions Committee. Mr Dingle, who currently owns 45% of the organisation, has confirmed he has no intention of changing this shareholding.

Having founded Nuchev in 2013 with a vision to make *Food for a Better Life*, Mr Dingle and the Board have been considering the appointment of a new Chief Executive Officer, to drive the delivery of the strategy, for some time. He has been the Managing Director and Chief Executive Officer since taking the company public in 2019.

Mr Kerr has led multiple consumer-branded organisations including 2XU, Marlin Brands and Adidas ANZ. Throughout his career, he has successfully spearheaded start-up, transformational and turnaround agendas all requiring a unique strategic focus depending on the situation and industry. He has proven strength in building brands through consumer insight, creating a compelling vision and strategy, and driving results.

Outlook

Looking ahead, we expect continued growth and momentum in the Australian supermarket and pharmacy channels, as well as through the corporate Daigou and other CBEC channels. We will focus on recruiting new users, price optimisation and promotion of the Oli6® new product formulation.

Three key pillars underpin our growth and reset strategy. We will:

- Actively drive new product development
- Deepen and widen the sales pipeline through Australian retail and China CBEC distribution channels
- Pursue growth through new markets.

We extend our deep gratitude to our Nuchev team and partners for your continued resilience, collaboration and support for each other during an unpredictable and challenging year. We are confident we have the strength of a flexible business model, a unique, trusted product offering and a highly capable new Chief Executive Officer and team to drive success in FY23 and beyond.

We would also like to acknowledge and thank our shareholders for your ongoing support.

Yours faithfully

Justin Breheny
Chair

Ben Dingle
Founder & Executive Director

Financial

Sound cash management and disciplined cost controls

Maintained positive working capital and no debt

Increased Average Selling Price and Gross Margin in challenging market conditions

Innovation

Actively pursuing innovation and opportunities to increase product diversification and grow in new and existing markets

Elevating the Oli6® brand through consumer led, science backed innovation and focused marketing

Advancing our key partnerships with University of Melbourne and RMIT

Repositioning the business to expand our digestion and immunity products beyond formulated goat milk

FY22 Highlights

Resetting the business to deliver sustainable growth, innovation and sales momentum

Sales

Strong consumer endorsement drives continued demand across retail channels

Growth in Australian retail. Oli6® ranked the fastest growing Goat Milk Infant Formula brand in Coles

Oli6® ranked number one Toddler Milk brand in 2021 and 2022 for Product Review

Five-star ranking on Trust Pilot

Number one Australian goat milk infant formula brand on TMall Flagship Store

Our business

Established in 2013, Nuchev is an Australian ASX listed, market leading nutritionals company specialising in digestion and immunity, with premium brand Oli6®.

Nuchev is well established with a high value brand reputation and sales across multiple off-line and on-line channels in China, Australia and New Zealand markets with over 2,000 trade customers.

With a strong distribution network, technical research and development, and strong sales and marketing capability, Nuchev is uniquely positioned as a market leading brand that has a consistently high consumer trust rating.

100% natural
100% Australian
made and owned

What we sell

Premium nutrition for every age and stage of life

Our Oli6® goat nutrition range of products leverage the natural benefits of goat's milk to support health and wellbeing at all stages of life. From premium infant formula to nutritional products that support active lifestyles and healthy ageing, Nuchev continues to expand its range to improve nutrition and immunity for a better life.

Scientifically researched to assist with gut health, digestion and immunity combined with new, convenient and premium packaging.



For the best start in life

Oli6® Premium

Oli6® Premium is a leading, scientifically researched formulation with prebiotics, probiotics, oligos and vitamins including DHA and lutein. The natural prebiotics found in Oli6® aid gut health and digestion with human milk oligosaccharides in stages one and two.

Oli6® Classic

Oli6® Classic Formulation is developed to be gentle on tiny tummies. Oli6® Classic is a gentle formula, naturally high in essential minerals and vitamins with limited additives.

To support a child's development

Oli6® Star Nutrition

Launched in 2021, Oli6® Star Nutrition is the only goat milk product of its kind globally with lactoferrin. It's suitable for children over the age of five to aid bone, brain and eye development.

Star Nutrition is enhanced by Vitamin A and B2, Zinc and DHA, and prebiotics and probiotics to aid digestion and immunity.

Oli6® Natural Goat Milk Powder

To support an active and healthy adult life

Oli6® Adult Milk Powder is 100% full cream goat milk powder - a premium nutritional supplement with Vitamin A and D to aid digestion and immunity with naturally occurring prebiotic oligosaccharides.

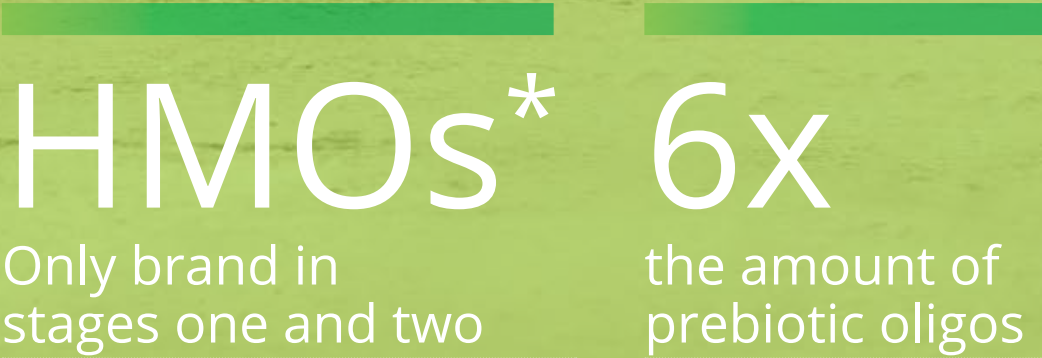
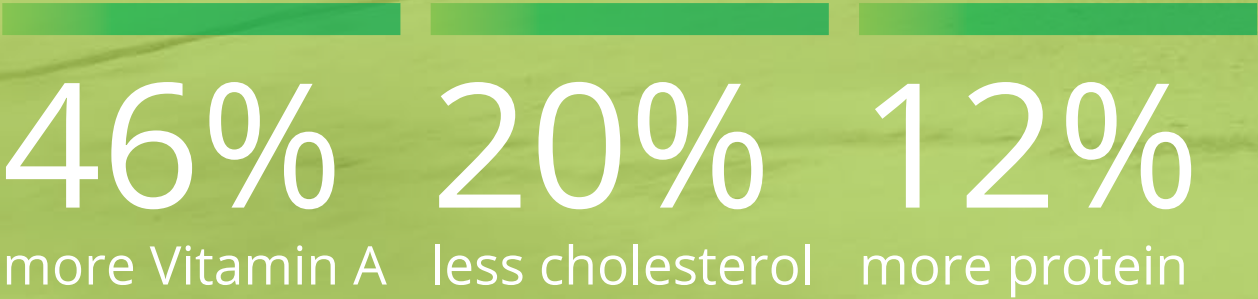
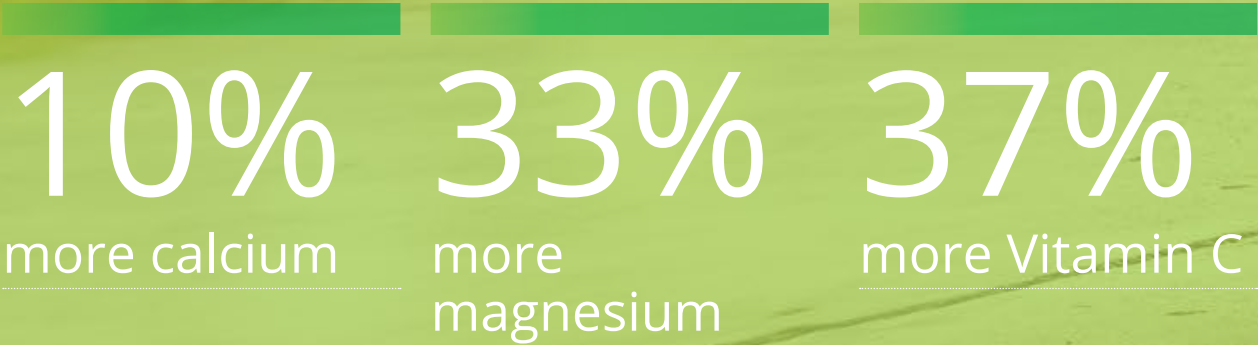
Manufacturing	2 production facilities
Supply	400 MT base powder with unconstrained capacity
Distribution	Three major international markets: Australia, New Zealand and China
Categories	Oli6® Infant and Follow-on Formula Oli6® Adult Milk Powder
Brands	Oli6®
SKUs	15 SKUs
Channels	Six major sales channels (domestic and export)
Employees	20 employees
Customers	2,000+ trade customers
Distributors	Three key distributors
Sales support	A dedicated team that delivers sales, marketing, supply chain logistics, finance and account management





Natural benefits of goat milk enhance digestion & immunity

Goat milk contains significantly more oligosaccharides. The natural oligosaccharides found in Oli6® milk in infant formula are of a similar structure to those found in human milk oligosaccharides.



Source: University of Melbourne

* human milk oligosaccharides

Where we sell

We supply markets across Australia, New Zealand and China via multiple on and offline channels. We continue to explore new market opportunities in the US and other international markets and are actively pursuing further options in China including private zone, online to offline (O2O) and corporate Daigou.



New markets

New markets in sight for 2023

Vietnam and Hong Kong reset

Other South East Asia options

China

New business opportunities

Continued growth in Corporate Daigou and CBEC (cross border e-commerce) channels

All CBEC major channels

Corporate Daigou and Taobao

O2O and Momtime

New Zealand

Chemist Warehouse NZ

Potential to expand into grocery in 2023

- 6 major trade channels
- 3 major international markets
Australia | China | New Zealand
- 3 China distributors
2000+ trade

We continue to adapt to the evolution of China’s competitive CBEC market, welcoming the re-emergence of the corporate Daigou.

Ben Dingle, Founder & Executive Director

Our growth strategy

Strategically positioned for the future

During the year we reset our strategy, expanding our core purpose and strengthening our position as a market leading health and nutritional company. Our strategy is focused on leveraging key growth opportunities through product innovation, diversification and scale.

We sit at the heart of growing consumer trends with consumers continuing to seek premium, specialty nutritional products which command a 40 per cent premium to standard products¹.

We will leverage our strong brand equity and supply partnerships to:

- Meet consumer and customer demand for premium digestion and immunity nutritional products
- Develop our product portfolio into formulated foods, beverages and digestive health and wellness
- Drive strong performance in existing markets
- Expand our reach into new international markets

EXPANDING OUR PURPOSE

Functional foods and products for a better life

Leading in premium digestion and immunity nutritional products

WHAT WE DELIVER TODAY



Product innovation



Brand builders



Supply chain excellence



Distribution network



ASX listed

DRIVERS TO SCALE

Function

- Digestion
- Immunity
- Wellness

Ingredients

- Goat
- Other Dairy
- Plant

Type

- Infant Formula
- Formulated Foods
- Formulated Beverages
- Digestive Wellness and Health

Value Chain

- Brand
- Vertical Integration

Consumer

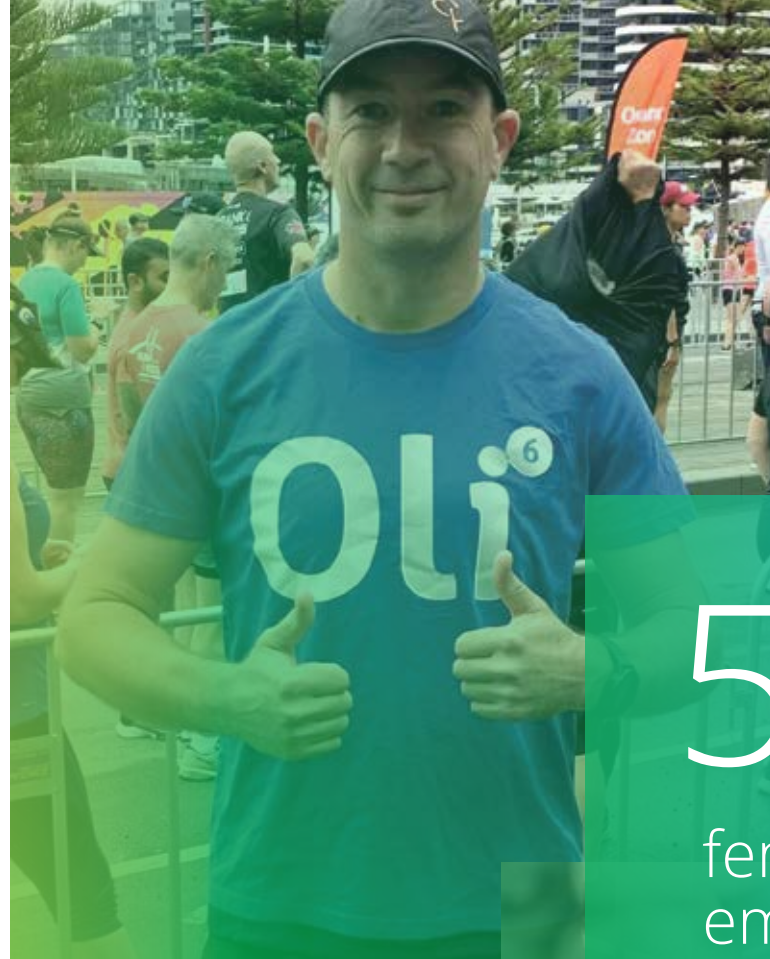
- Infant
- Child and Student
- Adult
- Senior

Region

- ANZ
- China
- Asia Pacific
- USA
- UK/Europe

¹ Source: Euromonitor 2021

Nuchev today Innovation Opportunity



50%
female
employees

30%+
non-English
speaking
backgrounds



Our people

Our people and partners bring our purpose and culture to life.

Spanning across Australia and China, Nuchev's highly-capable team comes from a diverse range of backgrounds—reflecting our customer base as well as our deep understanding of the industry and countries in which we operate. We partner closely with our distributors in China and our retail, pharmacy and grocery partners in Australia.

Diversity

We embrace the benefits of a diverse team and have delivered against our diversity principles and measurable objectives this year. We have over 50 per cent female representation given the importance to understand families and mums, and greater than 30 per cent from non-English speaking backgrounds.

COVID-19 response

Our team continued to adapt to the ongoing challenge presented by the pandemic during the year, supported by their diversity and strong global operating environment experience. The benefit of having a relatively small team in multiple locations, is that we are familiar with connecting virtually and as a result offer a flexible and adaptable working environment.

Capability

In FY22, we continued our focus on building the capability required to deliver our strategy in key markets and improving our team's effectiveness. We conduct regular surveys and hold ongoing discussions to ensure that we are continually growing and developing our team to achieve better outcomes.

Wellbeing

Employee wellbeing remains a key priority. We have put in place several initiatives to support this on an ongoing basis including an Employee Assistance Program and regular engagement activities.

Our Core Values

Our values are inspired by our purpose. They underpin everything we do and embody the way we work at Nuchev.



Consumer-led innovation

We actively pursue innovation to increase our product diversification and grow the scale of our business in existing and new markets.



Leadership in premium digestion and immunity fuelled by consumer-led innovation

Cementing our position as innovative leaders in digestion and immunity

Driving technical leadership through innovation

Expanding our portfolio into adjacent nutritional categories

Driving world class scientific research to maintain brand credentials

Investing in research and development to drive innovation

Backed by science with leading research partnerships

The health benefits of oligosaccharides, contained in Oli6® Goat Milk Infant Formula, are supported by collaborative scientific laboratory research conducted by researchers at RMIT University.

Ongoing product innovation to fuel growth

We recognise the importance of strategic innovation to drive scalable growth. We develop premium nutritional products with superior functional benefits to aid digestion and immunity with innovative science, world class ingredients and consumer-led market studies so our customers have the very best solutions for value and growth.

Following the launch of a research-based formulation upgrade to Nuchev's Oli6® range in FY21, an exciting pipeline of innovation is in development for launch in FY23, based on Nuchev's research, knowledge and expertise.

This focus on superior functional benefits and product quality allows us to expand into adjacent nutritional categories with the continued growth of premium health and wellness trends. The company is well positioned to achieve significant future sales growth.

Research Partnerships



World class ingredients



Quality ingredient supply

Our goat milk ingredients are imported from a reliable, quality supplier based in the Netherlands. The Dutch goat milk industry is perceived positively by global end consumers as a reliable source of goat milk and is the largest producer in the world.

The Dutch goat milk industry is subject to stringent and enforceable animal welfare, environmental and food safety regulations.



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.

Flexibility

The goat ingredients used in Nuchev's Goat Milk Nutrition products are imported in powder form and have a 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 is committed to product safety and quality



Safe and reliable supply chain

Nuchev maintains an unwavering dedication to quality, demonstrated through the operation of its supply chain during FY22. We have continued to develop a secure and sustainable supply chain with industry-leading partners that is quality focused, cost-efficient, adaptable and offers several key competitive advantages:



Photo credit: Yun Huang Yong (via Flickr)

Cost competitive

Nuchev calculates that the current cost of importing quality goat ingredients continues to remain lower than the cost of equivalent milk ingredients sourced and processed in Australia.

Capital-light

Our 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

Our 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.



Secure/safe raw ingredients supply from the Netherlands and Australia

STAGE 1

Australian base powder manufacturing

STAGE 2

Australian finished product manufacturing

Domestic and international sales and distribution channels



The only Australian brand exclusively dedicated to goat milk nutrition

The manufacture of Oli6® Goat Milk Nutrition products involve 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 the scheduled production at Tatura Milk Industries to ensure all aspects of the production process are aligned with our 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 FY23.

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 GACC1 (previously known as CNCA2) 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.

Flexible and secure operations in the face of COVID-19

In the FY22 year, the Nuchev team responded quickly to a rapidly changing environment brought about by the COVID-19 global pandemic and related consequences. We supported all of our partners to ensure security of supply in the face of volatile demand.

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

While global challenges with freight and warehousing remain, Nuchev works closely with our freight forwarding and logistics providers to ensure supply chain efficiencies.

Why parents love Oli6®

Consumer endorsement

Oli6® has been ranked the number one toddler milk brand in 2021 and 2022 for Product Review and has a five-star ranking on Trust Pilot. We continue to receive positive endorsements from parents who recognise the health benefits, improved digestion and immunity offered by Oli6®.



Why parents love Oli6®

“ Our little one has refused every single milk and milk alternative until we gave Oli6® Toddler Milk Drink a go.

Geraldine
Purchased May 2022

★ Trustpilot
★★★★★



Why parents love Oli6®

“ My son wouldn't take cow's milk, soy ... or anything out of a bottle or cup until I tried this!

Kelpie1704 , Purchased October 2021

PRODUCT REVIEW CORAL WINNER

TODDLER MILK DRINK



Purpose with impact

Nuchev is an Australian company dedicated to protecting our community, families and environment. We are committed to supporting our customers with improved nutrition and immunity for a better life, while protecting our planet for a better world.



New, recyclable pouch packaging reduces waste

Reducing our environmental footprint

Food and packaging waste is having an impact on the environment around us. We are committed to reducing our environmental footprint, working in close partnership with our suppliers and distributors to reduce our footprint and create products that provide more sustainable nutrition to consumers.

Oli6® is 100% Australian made and owned and 100% natural. Our products have been developed by leading technical and research experts and meet strict Australian food regulations and nutritional requirements.

Fair and ethical trading

Our customers and trade partners are key to our ongoing success. We treat everyone with respect and aim to exceed customer requirements in all aspects of ethical trading—it's just how we do things. We are committed to ensuring that:

- employees who are involved in buying and selling goods do business fairly and ethically at all times
- employment is freely chosen – there is no forced, bonded or involuntary prison labour or child labour
- employees are free to join a union association and have the right to collective bargaining
- working conditions meet required minimum standards e.g safe and hygienic
- remuneration and working hours comply with Australian regulations.



Social impact

Delivering on our purpose, *Food for a Better Life*, our commitment to premium nutrition continues into our team culture as we support each other in all aspects of health and wellbeing.

In 2022, the Oli6® Strollers participated in the 100km Oxfam Trailwalkers raising \$2,500. The team provided full support with nutritional meals to help the walkers achieve their goal. Founder and Executive Director Ben Dingle walked the final 10km to help them get across the finish line. This is a great example of how our team lives our vision and supports our community.

\$7.5k

funds raised

4 major charities supported

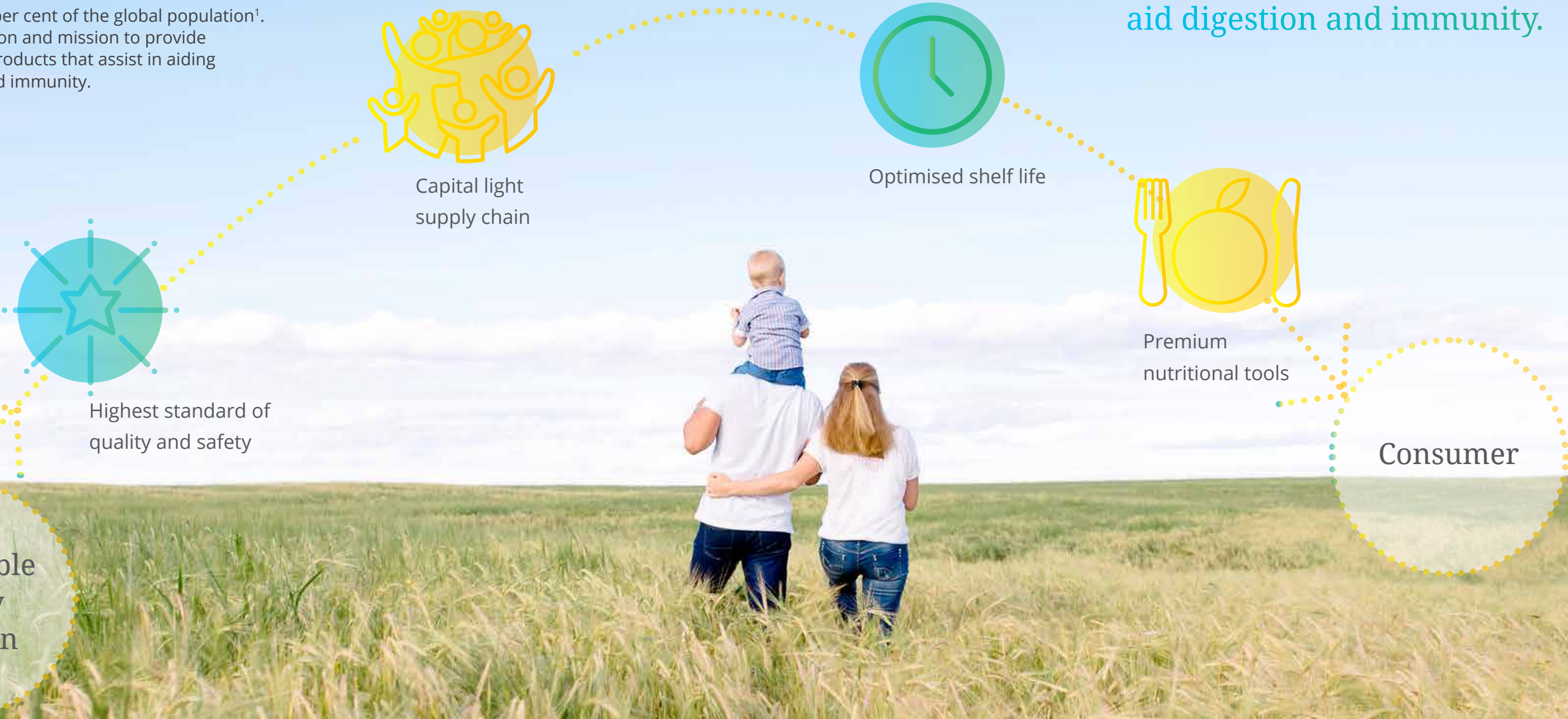
12 team initiatives



A healthy future for people and our planet

Our products have a positive impact on our customers' health and the world around them. Food intolerance and sensitivities are estimated to affect 20 per cent of the global population¹. It's our passion and mission to provide nutritional products that assist in aiding digestion and immunity.

We are focused through our product life cycle to enable better lives through premium nutritional products that deliver functional benefits to aid digestion and immunity.



¹ Source: Euromonitor 2021

Risk management

Effective risk management is central to Nuchev’s approach to driving sustainable, profitable growth. We retain 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.

Nuchev’s risk management framework encompasses all areas of our operations and includes economic, environmental and reputational risks.

Sources of risk	Management strategies
Constrained access to raw materials and/or increase in production and logistics costs The availability and price of raw goat ingredients used in Nuchev’s products (which Nuchev primarily sources from AVH Dairy based in the Netherlands) are influenced by global demand and supply factors outside Nuchev’s control, which may include ongoing impacts associated with 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 the supply of raw materials 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 supply plans in place for key ingredients.
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 our supply chain, this may have a material adverse impact on our operations and financial performance. Nuchev’s outsourced suppliers are required to comply with environmental laws and regulations when manufacturing our products. The storage, use, production and transportation of our 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 our supply chain, regulatory sanctions and remedial costs, and which could negatively impact our 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 our 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. • Nuchev 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.

Sources of risk

Management strategies

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 our brand and reputation, reduce demand for our 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 our operations and business strategy.
- The Nuchev team regularly conducts quality audits of raw materials, packaging, transport and logistics suppliers as well as co-manufacturers both in Australia and the markets where it operates.
- Stringent testing procedures are enforced on all batches of Goat Full Cream Milk Powder (GFCMP) and Goat Whey Protein Concentrate (GWPC) received from suppliers prior to these ingredients being distributed to Australia. This enables Nuchev to reject any raw goat ingredients that do not meet the required standards (at the supplier’s cost) before they are used.
- The team monitors for food tampering risks and has food recall and crisis management procedures in place in the event they need to be deployed quickly.
- To ensure the effective of these procedures, mock scenario exercises are conducted to ensure readiness amongst team members and partners to respond effectively in the event of a food quality and/or safety issue.
- Nuchev 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 our products.

Sales performance

Nuchev fails to meet stated sales performance targets, impacting the company’s financial performance and delivery of its strategy.

- The ELT conducts regular performance meetings, with agreements in place for set sales targets in key channels.
- Nuchev deals with reputable retailers and distributors, with KPIs and targets set to drive accountability. Key channels are also resourced adequately to ensure effective sales management.
- If necessary, the business may implement changes in distributor agreements where sales performance targets are not being met.
- Nuchev’s strategy includes plans to progress market diversification, innovation and new product development to deliver sustainable sales growth.

Loss of key channel partner or channel partner support

Nuchev distributes its products to end consumers through various sales channels, including Australian retailers and China 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 heightened as a result of COVID-19) or by dissatisfaction with Nuchev’s business or products. This may reduce Nuchev sales to its channel partners. The loss of any of Nuchev’s key channel partners, or a significant reduction in the sales made to 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. Nuchev aligns joint category plans with its key channel partners to focus investment and activities on driving brand equity and product sales.
- Our ongoing commitment to product quality helps ensure Nuchev’s product portfolio is an appealing proposition for its key channel partners.
- Nuchev retains a strategic mix of channel partners to optimise sales across a range of channels and markets.

Sources of risk	Management strategies
Increased market competition Nuchev operates in the highly competitive fast-moving consumer goods (FMCG) industry and is subject to existing and growing competition from domestic and international producers of infant formula and other nutritional products. Increased competition may impact 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 core Oli6® brand, focused on differentiated digestive, health and nutritional benefits that command a high degree of customer loyalty and appeal amongst its target consumers. - Nuchev uses brand tracking, sales data and consumer research, to develop joint category plans with key channel partners that leverage the strong brand equity of Nuchev's products and maintain consumer loyalty. The team has proven to act with agility in responding to market dynamics.
Domestic or foreign regulatory changes impacting Nuchev's operations Nuchev must comply with a range of laws and regulations in Australia and in foreign jurisdictions in which Nuchev sources its ingredients or sells its products. Compliance with these laws and regulations, and the ability to comply with any change to these laws and regulations, is material to the success of Nuchev's business. Failure to comply may result in a monetary fine or other penalty (such as losing the ability to operate), additional costs, adverse publicity or a loss in consumer confidence in Nuchev's products, which could have a material adverse effect on Nuchev's operating and financial performance and reputation. Furthermore, new laws or regulations may be introduced or there may be a change to the existing laws or regulations or revised interpretations of those laws or regulations in the relevant jurisdictions. Such regulatory changes could impact Nuchev's ability to successfully implement its business strategy and result in increased costs, damage to Nuchev's reputation and loss of consumer confidence in Nuchev's products, which in turn could have a material impact on the operating and financial performance, position and future prospects of Nuchev.	- Nuchev is a member of the Infant Nutrition Council (INC) and regularly monitors for any regulatory changes that may impact Nuchev 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 positive working capital, net assets, \$5.1 million in cash on hand and no debt, and an undrawn financing facility of \$2.0 million available as at 30 June 2022. - Regular modelling, reporting and forecasting of working capital requirements and cashflows is undertaken and reported to the ELT and Board of Directors. - Nuchev maintains robust sales and operations processes and is constantly examining ways to optimise working capital levels, as well as identifying key cash levers and opportunities to implement cost saving initiatives as required.

We have clear actions in place to mitigate and manage these risks to ensure that, should it need to, the business is able to take swift action to respond to risk and sustain operations. Our Executive Leadership Team (ELT) and Board regularly review and update our risk management framework.

Sources of risk	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 - A failure or delay in supplying products - 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 - Employment practices including treatment of staff, workplace incidents and/or disputes arising in third party suppliers. 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 may 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. - Nuchev 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. - Nuchev 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. - Nuchev 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.
Major event impacts economy and/or market – e.g., natural disaster, pandemic The COVID-19 pandemic continued to present challenges across the globe, impacting lives and communities, disrupting the global economy, supply chain and traditional market conditions. Continuation of the effects of COVID-19 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 - 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 - Comply with requirements under its contractual arrangements and its regulatory framework.	- Nuchev has comprehensive business continuity procedures that can be deployed in the event of a major event such as a natural disaster or pandemic. It has developed alternate co-manufacturer plans for its supply operations to ensure security and continuity of supply, and regularly conducts audits and assessment with co-manufacturers, with escalation processes in place to manage issues and major events. - Nuchev's facilities are designed with safety features that effectively support the management of major disaster events. - The ELT closely monitors regulatory and other developments that may impact suppliers and partners in overseas markets, particularly in the context of major global events such as COVID-19. - Nuchev's high-quality supply chain remains flexible and robust and was not materially affected during the COVID-19 pandemic. Despite some logistical challenges, primarily associated with shipment delays experienced across a number of industries, our relationships with supply partners remains strong. In addition, while many of our employees were required to work remotely during FY22, this did not significantly impact business activities. COVID-19 impacts were also felt across key sales channels such as the Daigou and other Cross Border E-Commerce (CBEC) channels in China. The business sought to mitigate some of these impacts by redirecting focus into the Australian grocery and pharmacy channels.

Board of Directors



Justin Breheny

Chair and Non-Executive Director

Justin has been the Chair and a non-executive director of Nuchev since September 2016.

Justin is a former senior executive of Insurance Australia Group Ltd (IAG), 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.

Justin 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 and is a member of the Australian Institute of Company Directors.

Other Current Directorships

Non-executive director of Lawcover Insurance Pty Ltd since May 2019 and Breheny Bros Breweries Pty Ltd since February 2021.

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

Nil

Special Responsibilities

Justin is Company Chair, a member of the Group's Audit & Risk and People & Culture Committees, and also Chair of the Group's Strategy and M&A Committee.



Ben Dingle

Chief Executive Officer (until 14 October 2022) and Executive Director

Ben is the founder of Nuchev and has been managing director of Nuchev since April 2013.

Ben brings significant commercial experience from the wider dairy nutritional sector as co-founder of New Zealand's Synlait Group, which was established 1999. Ben was jointly instrumental in guiding the successful IPO of Synlait Milk in 2013. Ben was also responsible for the construction and management of a portfolio of large-scale dairy operations on the Canterbury Plains that totalled approximately 15,000 cows. His role included establishment and implementation of innovative irrigation schemes, and adoption of world best farming practices. Prior to co-founding Synlait Milk, he owned and managed a portfolio of dairy operations in the Waikato region.

Ben is a highly connected, large-scale dairy innovator and leader. Ben holds an MBA and Master of Marketing from The University of Melbourne and a Bachelor of Agriculture from Massey University. He is a graduate of the New Zealand Institute of Company Directors and is a member of the Australian Institute of Company Directors.

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

Nil



Selina Lightfoot

Non-Executive Director

Selina has been a non-executive director of Nuchev since September 2016.

Selina is an experienced company director and has held roles across a range of industries including health, consumer products, retail, and energy.

Selina's previous executive experience includes over 20 years as a corporate legal adviser, including 10 years as a Partner of Freehills (now Herbert Smith Freehills). Her areas of expertise include corporate governance, mergers and acquisitions, and commercial contracts.

In addition to her legal qualifications (Bachelor of Arts/Law from the University of Tasmania), Selina holds a Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors.

Other current Directorships

Selina is currently a non-executive director of Hydro Tasmania (a government owned renewable energy generator which also operates an energy retailer, Momentum Energy), JDRF Australia and Victorian Opera, and an advisory board member to TLC Healthcare.

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

Previous non-executive director roles include The Reject Shop Limited and DWS Limited.

Special responsibilities

Selina is the Chair of the Group's Audit & Risk Committee and is a member of the Group's People & Culture Committee and Strategy & M&A Committee.



Michelle Terry

Non-Executive Director

Michelle has been a director of Nuchev since December 2016.

Michelle is an experienced executive leader of ASX 50 companies and has over 20 years' experience in international markets across multiple sectors, including consumer goods, luxury goods, professional services, financial services and retail. She has worked across consumer goods in Asia, Australia, Europe, the Middle East, Africa, the United States and Latin America.

Michelle is currently the CEO of Movember, a global men's health not for profit organisation. Movember raises funds and operates health programs in 20 countries.

Previously, Michelle was the Global Chief Marketing Officer of Treasury Wine Estates, operating out of San Francisco. Previously at Treasury Wine Estates, she was the Regional Marketing Director for Asia, EMEA and Latin America. In this role, she was part of the Asian leadership team that propelled Treasury Wine Estates from the number nine wine importer to the number one wine importer in China. As Global Marketing Director for Penfolds, she developed the strategy and executed the plan that drove a significant increase in earnings growth and brand recognition.

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

Michelle is Chair of the Group's People and Culture Committee.



Jeff Martin

Non-Executive Director

Jeff has been a director of Nuchev since September 2016.

Jeff 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. Jeff 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

Jeff is currently Chair of Kyvalley Dairy Group Pty Ltd and The Remarkable Milk Company Pty Ltd, and is a Director of Kyvalley Dairy Asia Pty Ltd and The Pastoral Pork Company Pty Ltd (Otway Pork).

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

Nil

Special responsibilities

Jeff is a member of the Group's Audit and Risk Committee and Strategy and M&A Committee.



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 has worked in senior sales and commercial roles for more than 10 years across South East Asia, and for more than 20 years in China, where he spent 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.

Other current Directorships

Nil

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

Nil

Executive Leadership Team



Ben Dingle

**Chief Executive Officer
(until 14 October 2022)
and Executive Director**

Ben is the founder of Nuchev and has been managing director of Nuchev since April 2013.

Ben brings significant commercial experience from the wider dairy nutritional sector as co-founder of New Zealand's Synlait Group, which was established 1999. Ben was jointly instrumental in guiding the successful IPO of Synlait Milk in 2013. Ben was also responsible for the construction and management of a portfolio of large-scale dairy operations on the Canterbury Plains that totalled approximately 15,000 cows. His role included establishment and implementation of innovative irrigation schemes, and adoption of world best farming practices. Prior to co-founding Synlait Milk, he owned and managed a portfolio of dairy operations in the Waikato region.

Ben is a highly connected, large-scale dairy innovator and leader.

Ben holds an MBA and Master of Marketing from The University of Melbourne and a Bachelor of Agriculture from Massey University. He is a graduate of the New Zealand Institute of Company Directors and is a member of the Australian Institute of Company Directors.



Greg Kerr

**Chief Executive Officer
(effective 14 October 2022)**

Greg was appointed Chief Executive Officer of Nuchev on 14 October 2022.

Greg has an extensive background in consumer-branded organisations, having led multiple organisations over the last 19 years. His previous professional experience as Managing Director of adidas ANZ, Managing Director of Marlin Brands and Chief Executive Officer of 2XU has seen him work across Corporate and Private Equity environments. Most recently, Greg was the interim Chief Executive Officer at the South Metropolitan Cemeteries Trust. Throughout his career, Greg has successfully led start-up, transformational and turnaround agendas all requiring a unique strategic focus depending on the situation.

Greg has a proven strength in building brands through consumer insight, creating a compelling vision and strategy, and leading teams to deliver results. Greg holds a Bachelor of Social Science, a post graduate diploma in Advanced Marketing Management and has completed a Program in Management Development.



Mick Myers

Chief Financial Officer

Mick joined Nuchev as the interim Chief Financial Officer in March 2022. Mick has over 30 years' experience working with publicly listed and private companies, most recently as the Group Chief Financial Officer of Simonds Group Limited. His previous finance executive and CFO roles were with Toll Group, MMG Limited, Oz Minerals Limited, and Zinifex Limited.

Prior to his corporate career, Mick held roles in audit, forensic and enterprise risk services over an 18-year career with Deloitte.

Mick is recognised for his leadership skills in driving high performing teams and delivering real benefits to the business. Mick's major successes have been achieved through strong, proactive stakeholder engagement, commercial business acumen and financial skills acquired in leading teams involved in finance, shared business services, business transformation and integration, audit, forensic, accounting and enterprise risk services.



Lisa Saunders

Chief Marketing Officer

Lisa joined Nuchev as Chief Marketing Officer in February 2021. She has over 20 years of marketing and management experience in publicly listed businesses in Australia, Europe, UK and Asia across FMCG, manufacturing, retail and e-commerce sectors.

Lisa has held Marketing Director roles at Asahi and Treasury Wine Estates and worked globally for Sainsbury's Supermarkets UK and Nestlé. Prior to joining Nuchev, Lisa was Marketing Director for Asahi Lifestyle Beverages.

Lisa is recognised for driving results with a speciality in transformational change through strong strategic planning, innovation, execution and building high performing teams. Lisa holds a Bachelor of Business Degree from the University of Technology, Sydney.



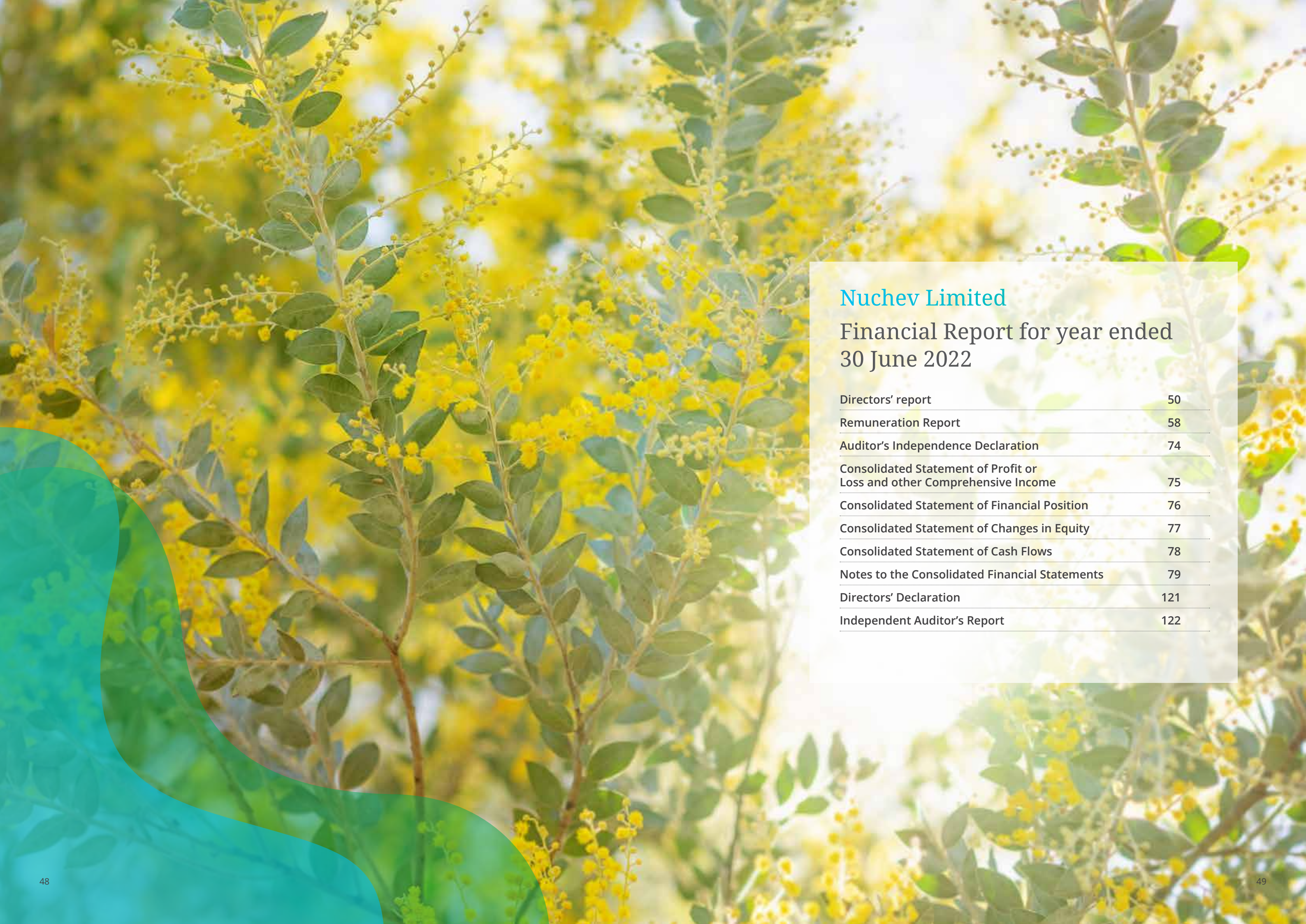
Matt Scarboro

**General Manager,
Supply Chain**

Matt joined Nuchev in February 2017 as General Manager Supply Chain.

Matt's responsibilities for this current role include Quality Assurance, Food Safety and Supply Chain Management.

He has worked in the nutritionals and infant formula industry for over ten years, both in Australia and Singapore. These roles include operations management and major project management at Mead Johnson Nutrition, with a focus on risk management and mitigation tactics. Prior to working in the nutritionals and infant formula industry, Matt worked in the dairy industry, producing milk powders and whey derivatives, which are the ingredients for infant formula. Matt also spent 10 years with CSR / Sugar Australia in a variety of operational, technical and project roles.



Nuchev Limited

Financial Report for year ended 30 June 2022

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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 2022. 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.

Current Directors

Name	Date Appointed	Current Position
Mr Justin Breheny	05/09/2016	Independent Non-Executive Director and Chairman
Mr Ben Dingle	09/04/2013	Chief Executive Officer (CEO) and Managing Director
Ms Selina Lightfoot	05/09/2016	Independent Non-Executive Director
Mr Jeffrey Martin	05/09/2016	Independent Non-Executive Director
Ms Michelle Terry	19/12/2016	Independent Non-Executive Director
Mr Owens Chan	24/09/2020	Independent Non-Executive Director

The particulars of the directors are as follows:

NAME	EXPERIENCE AND DIRECTORSHIPS
Mr Justin Breheny	Justin has been the Chairman and a non-executive director of Nuchev since September 2016.
	Justin is a former senior executive of Insurance Australia Group Ltd (IAG), 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.
	Justin 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 and is a member of the Australian Institute of Company Directors.
	Justin is a member of the Group’s Audit & Risk Committee and People & Culture Committee, and Chair’s the Group’s Strategy & M&A Committee.

NAME	EXPERIENCE AND DIRECTORSHIPS
Mr Ben Dingle	Ben is the founder and CEO of Nuchev and has been the managing director of Nuchev since April 2013.
	Ben brings significant commercial experience from the wider dairy nutritional sector as co founder of New Zealand’s Synlait Group, which was established 1999. Ben was jointly instrumental in guiding the successful IPO of Synlait Milk in 2013. Ben was also responsible for the construction and management of a portfolio of large-scale dairy operations on the Canterbury Plains that totalled approximately 15,000 cows. His role included establishment and implementation of innovative irrigation schemes, and adoption of world best farming practices. Prior to co-founding Synlait Milk, he owned and managed a portfolio of dairy operations in the Waikato region.
	Ben is a highly connected, large-scale dairy innovator and leader.
	Ben holds an MBA and Master of Marketing from The University of Melbourne and a Bachelor of Agriculture from Massey University. He is a graduate of the New Zealand Institute of Company Directors and is a member of the Australian Institute of Company Directors.
Ms Selina Lightfoot	Selina has been a non-executive director of Nuchev since September 2016.
	Selina is an experienced company director and has held roles across a range of industries including health, consumer products, retail, and energy.
	Selina is currently a non-executive director of Hydro Tasmania (a government owned renewable energy generator which also operates an energy retailer, Momentum Energy), JDRF Australia and Victorian Opera, and an advisory board member to TLC Healthcare. Previous non-executive director roles include with ASX listed companies The Reject Shop and DWS Limited, as well with as the Queen Elizabeth Centre, a public hospital providing early parenting services.
	Selina’s previous executive experience includes over 20 years as a corporate legal adviser, including 10 years as a Partner of Freehills (now Herbert Smith Freehills). Her areas of expertise include corporate governance, mergers and acquisitions, and commercial contracts.
	In addition to her legal qualifications (Bachelor of Arts/Law from the University of Tasmania), Selina holds a Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors.
	Selina is the Chair of the Group’s Audit & Risk Committee and is a member of the Group’s People & Culture Committee and Strategy & M&A Committee.

NAME	EXPERIENCE AND DIRECTORSHIPS
Mr Jeff Martin	• Jeff has been a non-executive director of Nuchev since September 2016. • Jeff 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. • Jeff 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 • Jeff is currently Chairman of Kyvalley Dairy Group Pty Ltd and The Remarkable Milk Company Pty Ltd, and is a Director of Kyvalley Dairy Asia Pty Ltd and The Pastoral Pork Company Pty Ltd (Otway Pork). • Jeff is a member of the Group's Audit & Risk Committee and Strategy & M&A Committee.
	• Michelle has been a non-executive director of Nuchev since December 2016. • Michelle is an experienced executive leader of ASX 50 companies and has over 20 years' experience in international markets across multiple sectors, including consumer goods, luxury goods, professional services, financial services and retail. She has worked across consumer goods in Asia, Australia, Europe, the Middle East, Africa, the United States and Latin America. • Michelle is currently the CEO of Movember, a global men's health not for profit organisation. Movember raises funds and operates health programs in 20 countries. • Previously, Michelle was the Global Chief Marketing Officer of Treasury Wine Estates, operating out of San Francisco. Previously at Treasury Wine Estates, she was the Regional Marketing Director for Asia, EMEA and Latin America. In this role, she was part of the Asian leadership team that propelled Treasury Wine Estates from the number nine wine importer to the number one wine importer in China. As Global Marketing Director for Penfolds, she developed the strategy and executed the plan that drove a significant increase in earnings growth and brand recognition. • 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. • Michelle is Chair of the Group's People & Culture Committee.

NAME	EXPERIENCE AND DIRECTORSHIPS
Mr Owens Chan	• Owens has been a non-executive 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 has worked in senior sales and commercial roles for more than 10 years across South East Asia, and for more than 20 years' in China, where he spent 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.

Directors' shareholding

The following table sets out each of the directors' relevant interest in shares and rights or options on shares of the Company or related body corporate as at the date of this report:

Directors	Fully Paid Ordinary shares (Number)	Share options (Number)
Mr Justin Breheny	676,002	Nil
Mr Ben Dingle	23,147,277	2,615,637
Ms Selina Lightfoot	126,287	Nil
Mr Jeffrey Martin	89,144	Nil
Ms Michelle Terry	44,572	Nil
Mr Owens Chan	Nil	Nil

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Company Secretary

Ms Tamara Barr was appointed Company Secretary of Nuchev Group Limited on 28 February 2022, following the resignation of Ms Chantelle Pritchard.

Tamara brings over 17 years' experience as a Company Secretary and Corporate Governance Advisor to ASX listed, public and private companies and NFPs. She currently provides consultancy Company Secretarial services to ASX listed companies across a variety of sectors. She has practised Corporate Governance throughout Australia, the UK and Europe.

Principal activities

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

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

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

Operating and financial review

The loss of the consolidated group for the financial year ended 30 June 2022 after providing for income tax was \$11,108,449 (2021: loss of \$13,268,540). The Group's net cash position for the financial year ended 30 June 2022 was \$5,112,514, and the Group's committed financing facilities remain undrawn.

The operating loss reflects continuing external market conditions as well as the Group's continued investment in nutritional research and development, product quality and testing; brand building; and multi-channel sales and channel support.

Revenue for the year ended 30 June 2022 totalled \$9,723,809 (2021: \$10,899,342). Whilst market conditions remained challenging during the period, the Oli6® brand continues to grow strongly in the Australian domestic market with increased ranging in Coles supermarkets, and recently launching in Woolworths supermarkets late in the fourth quarter. We have also noted the re-emergence of the Daigou channel during the later stages of H1, with a refreshed business model with sales made indirectly to consumers through a marketplace intermediary.

Based on the Group's customer location, Australian sales during the year accounted for 71% (2021: 47%), China 29% (2021: 51%) and Vietnam 0% (2021: 2%) of revenue.

Gross Margin increased to 37.2 % (2021: 34.0%), after excluding non-core raw material sales in both the 2022 and 2021 periods.

Nuchev's high-quality supply chain remains flexible and robust and has not been materially affected during the COVID-19 pandemic. Despite some logistical challenges, primarily associated with shipment delays experienced across a number of industries, our relationships with supply partners remain strong with overall margin maintained.

Balance sheet

The net assets of the Group have decreased from \$26,690,902 at 30 June 2021 to a net asset position of \$15,827,793 at 30 June 2022. At 30 June 2022 the Group has working capital surplus of \$14,825,254 (2021: \$25,940,792), with current assets exceeding current liabilities.

Operating cash flows

The Group's net cash flows used in operating activities of \$8,300,310 were less than for the previous financial year (2021: \$9,494,376), with disciplined cost control measures implemented to preserve cash.

The closing cash position at 30 June 2022 was \$5,112,514 (2021: \$14,514,645).

During the year the Group established a \$2.0m committed financing facility, which remained undrawn at 30 June 2022.

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 2022 and was approved by the board on 29 August 2022. The Group's corporate governance practices are set out and can be viewed at <http://investor.nuchev.com.au/policies/>

Environmental regulation

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

Dividends paid or recommended

No dividends were paid, declared, or recommended.

Share Options/Rights

As at the date of this report, there were 4,171,824 unissued ordinary shares under options/rights (4,171,824 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.

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 & Risk	People & Culture	Strategy & M&A
# of meetings held	15	10	5	1
Number of meetings attended:				
Directors:				
Justin Breheny	15	10	5	1
Ben Dingle	15	N/A	N/A	1
Selina Lightfoot	15	10	5	1
Jeffrey Martin	15	10	N/A	1
Michelle Terry	15	N/A	5	N/A
Owens Chan	15	N/A	N/A	N/A

Committee membership

As at the date of this report, the Group had an Audit & Risk Committee, a People & Culture Committee and a Strategy & M&A Committee. Members acting on the committees of the board during the year were:

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

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 \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditors’ independence declaration

The auditors’ independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2022 has been received and can be found on page 75.

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

On behalf of the directors



Justin Breheny
Chair

Melbourne
Dated: 31 August 2022



Ben Dingle
Managing Director & Chief Executive Officer

Remuneration Report (Audited)

Contents

1. Remuneration report overview
2. Overview of executive remuneration
3. Elements of remuneration
4. Performance and executive remuneration outcomes in FY22
5. How remuneration is governed
6. Statutory and share based reporting

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 2022. 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 FY22:

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

Name	Position	Term as KMP
Owens Chan	Non-Executive Director	Full financial year
Executive Directors		
Ben Dingle	Chief Executive Officer (CEO) & Executive Director	Full financial year
Senior Executives		
Chantelle Pritchard	Chief Financial Officer Chief Operating Officer Company Secretary ¹	Period to 25 March 2022
Mick Myers	Chief Financial Officer ² (CFO)	Period 25 March 2022 to 30 June 2022

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** – retain and recruit the right people for the role
- **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 “PCC”). The PCC is made up of only independent non-executive directors, with a minimum of three members. The PCC 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 PCC aims to ensure that Nuchev’s remuneration policies:

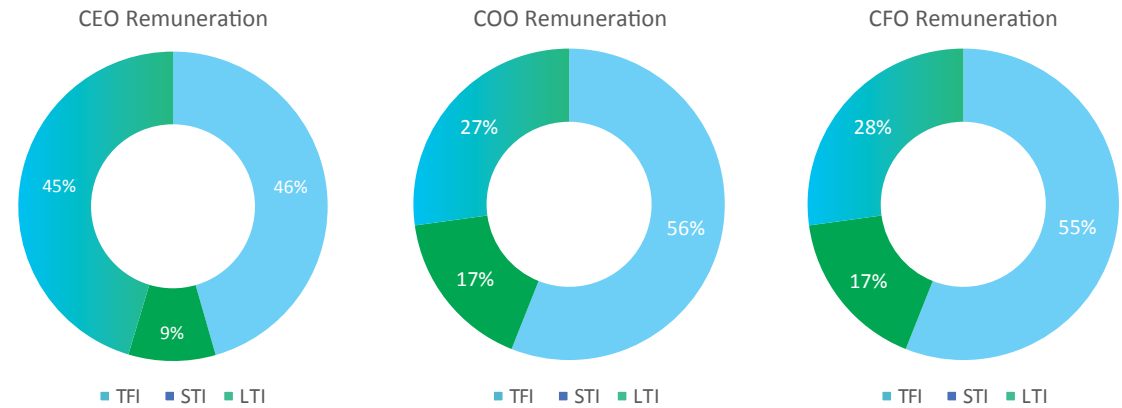
- (i) Are aggregated towards short and long term incentivisation
- (ii) Encourages and sustains a culture aligned with the Group’s values
- (iii) Supports the Group’s strategic objectives and long-term financial soundness; and
- (iv) are aligned with the Group’s risk management framework and risk appetite

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 PCC charter is reviewed annually to ensure that it remains adequate for the needs of Nuchev.

¹ Chantelle Pritchard will be referred to as Chief Operating Officer (COO) throughout the Report.
² Mick Myers was appointed as the interim Chief Financial Officer on 25 March 2022.

2.3 Remuneration Mix – target

The below illustrates the remuneration mix targets set for Nuclech. 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 measured at 100% of target at vesting.



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 PCC 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”).

Nuclech 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 FY22 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
CEO/MD	Revenue – 60% EBITDA - 40%	Strategic Milestones – 55% Operational Milestones – 45%	20% of TFR is target up to maximum of 30% of TFR
COO	Revenue – 60% EBITDA - 40%	Strategic Milestones – 35% Operational Milestones – 40% Financial Objectives – 25%	30% of TFR is target up to maximum of 40% of TFR
CFO	Not eligible for STI/LTI in 2022	Not eligible for STI/LTI in 2022	Not eligible for STI/LTI in 2022

The STI award is determined after the end of the financial year following a review of performance over the financial 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 as a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year subject to Board discretion. If an executive leaves after the end of the performance period and prior to settlement date, payment of an STI would be solely at the Board’s discretion and subject to consideration of the reasons and nature of their departure.

3.3 Long-term incentives (LTI)

FY22 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 \$0.5217 per option and will vest after three years subject to meeting the performance condition and continuous employment to 30 June 2024.

Performance condition: Achieving a net positive closing cash balance at 30 June 2024.

FY22 Rights Issue

A retention award was made to Chantelle Pritchard, COO, commencing on 1 July 2021. The award comprises a combination of cash and equity to the value of \$250,000 vesting over a two year period subject to the Board being satisfied with the performance by Ms Pritchard of her duties and responsibilities and the KPI’s set for by the Board from the grant date to the vesting dates, and the terms of the award being met. As a result of Ms Pritchard’s resignation prior to the completion of the service period, this plan has lapsed, and all awards have been forfeited and lapsed.

4. Performance and executive remuneration outcomes in FY22

4.1 Performance against STI measures

Taking into account the Group's performance and delivery of objectives, for FY22 the Board's assessment of the CEOs performance against their STI objectives was as follows:

CEO & Managing Director

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 Objectives	27.5%	0%	Strategic objectives not met
	Operational Objectives	22.5%	0%	Operational objectives not met
Total		100%	0%	

COO

It should be noted that under the STI Policy, an employee who ceased employment by reason of resignation during the incentive plan year, will not be eligible to receive any incentive under the STI plan. To this end, Ms Pritchard forfeited her potential STI payment on exit.

CFO

No STI incentives were in place for Mr Myers during FY22.

4.2 Performance against LTI measures

Award	Vesting condition	Expected vesting outcome
FY20 (IPO) Award – Exercise price \$2.60	Tranche 1 - subject to achieving the year 1 (FY20) prospectus revenue target and continuous employment	Vested
	Tranche 2 – subject to achieving a year 2 (FY21) revenue target and continuous employment	Did not vest
	Year 3 - subject to being employed on 30 June 2022	Vested for the CEO, but lapsed for the COO
FY21 Award Exercise price \$2.553	Relative TSR against 40 (approx.) companies in the consumer staples and healthcare GICs	Vesting outcome to be confirmed at the end of the vesting period
	Revenue CAGR target circa 37% based on FY20 revenue	FY21 Employee Rights granted to the COO lapsed upon cessation of employment
	3 year performance period ending 30 June 2023 and continuous employment until 30 June 2023	

Award	Vesting condition	Expected vesting outcome
FY21 Retention Award	Cash component (Tranche 1) – subject to being employed on 31 December 2022	FY21 Retention Award granted to the COO lapsed upon cessation of employment
	Cash component (Tranche 2) – subject to being employed on 30 June 2023	
	Share rights – subject to meeting Board performance targets during the period to 30 June 2023	
FY22 Award Exercise price \$0.5217	Cash components and Share Rights are subject to board discretion and employee performance	Vesting outcome to be confirmed at end of the vesting period
	Positive net closing cash balance at 30 June 2024 3 year performance period from 1 July 2021 to 30 June 2024 and continuous employment until 30 June 2024	

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.

	2022	2021	2020	2019	2018
Profit/(Loss) for the year attributable to owners of the Group	(11,108,449)	(13,268,540)	(10,902,865)	(13,499,836)	(14,074,385)
Revenue	9,723,809	10,899,342	17,763,252	9,499,278	3,441,257
Revenue growth	(11%)	(39%)	88%	175%	35%
Adjusted EBITDA [#]	(10,184,972)	(11,312,820)	(9,580,489)	(9,268,807)	(11,554,877)
Share price	\$0.19	\$0.51	\$2.26	N/A	N/A
Dividends	N/A	N/A	N/A	N/A	N/A

[#]: Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes impairment of other financial assets and livestock fair value adjustments.

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 FY22, 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	CEO & Executive Director
Fixed remuneration	\$401,826
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	\$351,598
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

5.4 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	CFO
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 (without cause)	- 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 and remain unchanged notwithstanding the market movement.

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 the maximum Board and committee Chair fees payable to NEDs for FY22 (inclusive of superannuation):

Board Fees	
Chair	\$110,503
NED ¹	\$60,320
Committee fees	
Audit & Risk Committee Chair	\$10,000
People & 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.

6. Statutory and share-based reporting

The following table outlines the proportion of maximum STI earned in relation to the FY22 financial year.

	STI bonus [#]		
	Total Opportunity	Awarded%	Forfeited %
Ben Dingle	\$80,365	0%	100%
Chantelle Pritchard	\$105,479	0%	100%

[#]Bonuses are inclusive of superannuation.

6. Statutory and share-based reporting
(continued)

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		Total Remuneration	% Performance Related
		Salary and Fees	Leave Benefits	Non-Monetary ¹	Super	Share-based Payment-Options	Bonus	Share-based Payment-Options		
J Breheny	2022	100,457	-	-	10,046	-	-	-	110,503	0%
	2021	100,547	-	-	9,543	-	-	-	110,000	0%
B Dingle	2022	378,259	14,014	840	23,568	-	-	184,096	600,777	31%
	2021	378,606	7,926	840	22,239	-	5,455	119,910	534,976	23%
J Martin	2022	54,795	-	-	5,479	-	-	-	60,274	0%
	2021	54,795	-	-	5,205	-	-	-	60,000	0%
S Lightfoot	2022	63,927	-	-	6,393	-	-	-	70,320	0%
	2021	63,927	-	-	6,073	-	-	-	70,000	0%
M Terry	2022	63,927	-	-	6,393	-	-	-	70,320	0%
	2021	63,927	-	-	6,073	-	-	-	70,000	0%
O Chan	2022	60,000	-	-	-	-	-	-	60,000	0%
	2021	46,154	-	-	-	-	-	-	46,154	0%
C Pritchard	2022	266,372	(24,031)	-	17,806	-	-	(29,891)	230,256	-13%
	2021	334,644	24,032	-	20,991	-	35,795	35,187	450,649	16%
M Myers	2022	110,676	-	-	1,964	-	-	-	112,640	0%
	2021	-	-	-	-	-	-	-	-	0%
Total	2022	1,098,413	(10,017)	840	71,649	-	-	154,205	1,315,090	12%
	2021	1,042,510	31,958	840	70,124	-	41,250	155,097	1,341,779	15%

1 Non-monetary benefits include mobile phone allowance

2 O Chan was appointed 24 September 2020

3 C Pritchard remuneration above is from period 1 July 2021 to 1 April 2022.

4 C Pritchard became a member of the KPM on 30 April 2020. There was no STI or LTI benefit as she was paid as a contractor in her capacity as interim CFO. She was appointed full-time CFO on 1 July 2020 and COO of 22 February

5 M Myers remuneration above is from the period 27 March to 30 June 2022, and includes payments made to third parties for the period to 30 May 2022. Mr Myers became an employee of the Group on 30 May 2022.

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 dates	Vesting date	Expiry date	Fair value per option at award date \$	Exercise price per option	No. Options award during the year	No. Vested during year	No. Lapsed/ forfeited during the year	Value of options granted during this year	Value of options forfeited during this year	Value of options exercised during the year
J Breheny	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	-	-	-	-	(73,844)	-	-	-
B Dingle	FY22 LTI	18/11/2021	30/06/2024	18/11/2026	\$0.349	\$0.522	1,646,090	-	-	574,485	-	-
	FY20 LTI	9/12/2019	30/06/2022	9/12/2024	\$0.649	\$2.600	-	616,330	(205,443)	-	(133,333)	-
J Martin	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	-	-	-	-	(43,017)	-	-	-
S Lightfoot	FY16/17 LTI	18/11/2016	18/11/2019	18/11/2021	-	-	-	-	(43,017)	-	-	-
M Terry	FY16/17 LTI	30/12/2016	30/12/2019	30/12/2021	-	-	-	-	(43,017)	-	-	-
C Pritchard	FY22 LTI	30/08/2021	30/06/2024	30/08/2026	\$0.320	\$0.522	720,164	-	(720,164)	230,452	(230,452)	-
	FY22 Rights	18/06/2021	30/06/2023	30/06/2023	\$0.520	-	239,600	-	(239,600)	124,592	(124,592)	-
	FY21 LTI	26/11/2020	31/08/2023	25/11/2025	\$0.405	\$2.553	-	-	(102,654)	-	-	-
	FY21 Rights	31/07/2020	31/08/2023	31/08/2023	\$2.135	-	-	-	(84,2380)	-	-	-

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 section 3 above for the conditions that must be satisfied for the options to vest.

	Balance as at 1 July 2021	Granted as Remuneration	Options exercised	Options lapsed	Balance as at 30 June 2022	Vested and exercisable
J Breheny	73,844	-	-	(73,844)	-	-
B Dingle	1,174,990	1,646,090	-	(205,443)	2,615,637	410,887
S Lightfoot	43,017	-	-	(43,017)	-	-
M Terry	43,017	-	-	(43,017)	-	-
J Martin	43,017	-	-	(43,017)	-	-
O Chan	-	-	-	-	-	-
C Pritchard	283,895	959,764	-	(1,243,659)	-	-
M Myers	-	-	-	-	-	-
	1,661,780	2,605,854	-	(1,651,997)	2,615,637	410,887

6.3 Shareholdings of KMP¹

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

	Balance as at 1 July 2021	Received during year on exercise of options	Purchase of shares	Sale of shares	Other	Balance as at 30 June 2022
J Breheny	676,002	-	-	-	-	676,002
B Dingle	23,147,277	-	-	-	-	23,147,277
S Lightfoot	126,287	-	-	-	-	126,287
M Terry	44,572	-	-	-	-	44,572
J Martin	89,144	-	-	-	-	89,144
O Chan	-	-	-	-	-	-
C Pritchard	-	-	-	-	-	-
M Myers	-	-	-	-	-	-
	24,083,282	-	-	-	-	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

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

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 FY22 and there are no outstanding balances, whether assets or liabilities as at the 30 June 2022.

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

On 25 February 2022, the Group entered into a loan agreement with the Whiti Trust, a related party of B Dingle, CEO & Managing Director. Commencing 1 June 2022, this agreement makes available a loan facility from Whiti Trust to the Group of up to \$2,000,000 available in instalments from \$250,000. Any drawdowns must be repaid by 31 December 2024, with repayment instalments being made quarterly, commencing 31 March 2024. No amount has been drawn down from this facility at 30 June 2022.

During the year, Tom Dingle, a close family member of the CEO & Managing Director, received \$6,591 as a commission on the sale of property, plant & equipment. This amount was paid in full during the financial year.

There have been no other transactions with KMP or directors during FY22, and there are no outstanding balances, whether assets or liabilities as at 30 June 2022.

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.



Michelle Terry

Chair of the People & Culture Committee

Melbourne

Dated: 31 August 2022

Auditor's Independence Declaration



Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June

	Notes	2022 \$	2021 \$
Revenue from contracts with customers	5	9,723,809	10,899,342
Cost of sales	8.3	(6,946,406)	(7,443,886)
Distribution, warehouse, and logistics expenses		(916,070)	(744,777)
Marketing and selling expenses		(4,596,662)	(6,148,028)
Employment expenses	8.4	(3,701,611)	(4,297,503)
General and administration expenses		(2,394,708)	(2,507,764)
Other expenses		(1,614,762)	(2,079,667)
Impairment of intangible assets		-	(903,072)
Impairment of receivables	14	(34,401)	(269,375)
Impairment of other financial assets	20	(705,000)	-
Livestock fair value adjustments		-	(252,289)
Operating (loss)		(11,185,811)	(13,747,019)
Other income	8.1	96,935	462,073
Finance income	8.2	12,526	65,887
Finance costs	8.2	(32,099)	(49,481)
(Loss) before tax		(11,108,449)	(13,268,540)
Income tax benefit	9	-	-
(Loss) for the year		(11,108,449)	(13,268,540)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(11,108,449)	(13,268,540)
Loss per share			
Basic (loss) per share	10	(0.21)	(0.26)
Diluted (loss) per share	10	(0.21)	(0.26)

Consolidated Statement of Financial Position

as at 30 June

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash and short-term deposits	13	5,112,514	14,514,645
Trade and other receivables	14	1,655,558	1,079,885
Prepayments	15	516,976	384,881
Inventories	16	9,354,582	11,350,641
Other assets	17	22,570	18,466
		16,662,200	27,348,518
Non-current assets			
Property, plant and equipment	18	28,418	103,227
Intangible assets	19	508,646	584,457
Right-of-use assets	24	102,314	204,627
Other financial assets	20	379,081	-
Other assets	17	66,809	68,524
		1,085,268	960,835
Total assets		17,747,468	28,309,353
Liabilities			
Current liabilities			
Trade and other payables	21	1,502,710	1,061,329
Provisions	23	164,484	204,812
Lease liabilities	24	154,124	132,310
Other liabilities	25	15,628	9,275
		1,836,946	1,407,726
Non-current liabilities			
Provisions	23	82,729	56,708
Lease liabilities	24	-	154,017
		82,729	210,725
Total liabilities		1,919,675	1,618,451
Net assets		15,827,793	26,690,902
Equity			
Issued capital	26	96,036,786	96,036,786
Other capital reserves	27	1,915,457	1,670,117
Accumulated (losses)		(82,124,450)	(71,016,001)
Total equity		15,827,793	26,690,902

Consolidated Statement of Changes in Equity

for the year ended 30 June

	Notes	Issued capital \$	Other capital reserves \$	Accumulated losses \$	Total \$
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
As at 1 July 2021		96,036,786	1,670,117	(71,016,001)	26,690,902
(Loss) for the year		-	-	(11,108,449)	(11,108,449)
Issue of share capital	26	-	-	-	-
Transaction costs on issue of share capital	26	-	-	-	-
Other capital reserves	27	-	245,340	-	245,340
At 30 June 2022		96,036,786	1,915,457	(82,124,450)	15,824,793

Consolidated Statement of Cash Flows

for the year ended 30 June

	Notes	2022 \$	2021 \$
Operating activities			
Receipts from customers		9,141,428	12,686,917
Payments to suppliers and employees		(17,474,802)	(22,552,043)
Interest received		32,493	67,944
Interest paid		(94,279)	(24,344)
Government grants received		94,850	327,150
Net cash flows (used in) operating activities	13	(8,300,310)	(9,494,376)
Investing activities			
Proceeds from sale of biological assets		55,000	779,117
Proceeds from sale of property, plant and equipment		117,255	1,681
Purchase of property, plant and equipment		(5,371)	(17,078)
Purchase of intangible assets		-	(351,824)
Purchase of other financial assets		(1,081,081)	-
Net cash flows (used in)/from investing activities		(914,197)	411,896
Financing activities			
Proceeds on issue of shares		-	15,220,527
Transaction costs on issue of shares		-	(944,470)
Repayment of lease liabilities		(118,276)	(118,276)
Net cash flows from financing activities		(118,276)	14,157,781
 Net increase/(decrease) in cash and cash equivalents		 (9,332,783)	 5,075,301
Cash and cash equivalents at 1 July		14,514,645	9,443,093
Net foreign exchange difference		(69,348)	(3,749)
Cash and cash equivalents at 30 June	13	5,112,514	14,514,645

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022

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 2022 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 22 the Group made a loss after tax of \$11,108,449 (2021: loss of \$13,268,540) and had an operating cash outflow of \$8,300,310 (2021: operating cash outflow of \$9,494,376). Notwithstanding the historic financial performance, the board considers the Group to be a going concern based on the cash available at balance date as set out in **Note 2.2**.

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 are general purpose financial statements 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.

2.2 Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In determining whether there are indicators, events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern, the Directors have considered all available information about the foreseeable future, which is at least, but not limited to, twelve months from the date of signing the financial report and note the following factors:

Net profit (loss): The Group has recognised a net loss after tax of \$11,108,449 for the 2022 financial year. The Directors considers that this result was impacted by COVID-19 effects on key sales channels such as the daigou and China CBEC, as well as in-channel inventory levels constraining revenue and the size and phasing of trade spend and marketing investment that will not be repeated in the 2023 financial year.

2.2 Going concern (continued)

Demand for products: Consumer demand for products provided by the Group has remained relatively stable over the past 12 months and this is expected to continue over the relevant period.

Liquidity: As at the reporting date, the Group's current assets exceeded current liabilities by \$14,825,254, indicating that the group has a positive working capital ratio. Therefore, the Directors are confident that the Group will have sufficient resources to repay its short-term debts. This includes consideration of the saleable value of its current inventory holdings and the potential cash benefit from these sales.

Forecast cash flows: The Group confirmed a major supermarket contract during the 2022 financial year and is in the process of negotiating with other retailers to deliver consistent cash flows for at least the next 12 months. In addition, management has implemented and will continue to execute various strategies to preserve cash, by optimising its liquidity position over the foreseeable future, whether by increasing revenue or decreasing costs.

Financing: The Company has entered into a committed medium-term loan agreement with the Whiti Trust to provide a loan facility of up to \$2,000,000, which remains undrawn at the date of this report, and further strengthens its existing liquidity position.

In addition, the Group has prepared detailed financial forecasts for the 12 months following the date of this report. These forecasts indicate that the Group will have sufficient funds to continue to pay its debts as and when they become due and payable.

As a result of the matters above, the Directors are of the view that there are no indicators, events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Directors are confident that there are currently no significant indicators of disruption to ongoing operations that may impact the Company's ability to settle its liabilities as and when they fall due such that the going concern basis of preparation is appropriate.

In concluding this, management and the Board has considered the Company's liquidity position, any risks to the cash flows and funding, and the Company's outlook.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 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

2.4 Summary of significant accounting policies (continued)

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition

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

Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

2.4 Summary of significant accounting policies (continued)

(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 AASB 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 AASB 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 is 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 material ingredients

Sale of products

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

Variable consideration

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

Volume rebates

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

Rights of return

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

Assets and liabilities arising from Right of return

Right of return assets

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

Refund liabilities

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

Costs to obtain a contract

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

2.4 Summary of significant accounting policies (continued)

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 & 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.

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

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

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

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

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

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

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

k) 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 & equipment 3 to 20 years
- Leasehold improvements 3 to 5 years

l) 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.

m) 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 are depreciated on a straight-line basis over the useful life of the assets, which is estimated to be between 3 and 5 years.

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. 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, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

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 trademarks are assessed as having an indefinite useful life, where we assess annually for any impairment or changes to the indefinite life classification. Software acquired externally are amortised in accordance with their useful lives which are assessed as two to five years.

2.4 Summary of significant accounting policies (continued)

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

n) 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 2.4 k)
- Intangible assets (Note 2.4 m)
- Right-of-use-assets (Note 2.4 o)

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 operate in.

o) 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 (n) 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.

p) 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.

q) 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.

r) 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.

2.5 New and amended standards and interpretations

Several amendments and interpretations apply for the first time for the financial year, but do not have an impact on the consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 include:

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

Estimates and assumptions

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

Inventory

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

Impairment of non-financial assets

Impairment 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 has on the fair value of its financial assets and in the calculation of the recoverable amount.

Provision for expected credit losses of trade receivables

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

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

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

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

3 Significant accounting judgements, estimates and assumptions (continued)

Provision for expected credit losses of other financial assets

Other financial assets are reviewed on an annual basis for expected credit losses, which are identified when the estimated recoverable amount is lower than the carrying value. Management determines credit losses based on forward-looking estimates. The amount of ECLs is subject to the same changes in circumstances and sensitivities as the ECLs of trade receivables.

The information about the ECLs on the Groups other financial assets is disclosed in **Note 20**.

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.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in **Note 28**.

Revenue recognition - Estimating variable consideration for returns and volume rebates

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

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

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

Leases - Estimating the incremental borrowing rate

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

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

Licence costs

The Group capitalised costs related to its application for a SAMR Brand Registration Licence. Initial capitalisation of these costs was based upon judgement that it was probable that future economic benefits attributable to the license would occur upon granting of the SAMR Brand Registration Licence. The Group has continually reassessed the probability of the granting of the SAMR licence and hence the recoverability of capitalised costs.

At 30 June 2021, the Group concluded that the application for SAMR registration for its Chinese-label products was unlikely to be successful, and as a result, the carrying value of its capitalised licence costs was fully impaired.

COVID-19 considerations

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

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

Specifically for the Group, COVID-19 and the measures taken by government's in Australia and the Peoples Republic of China (PRC) to curb the spread of the pandemic have impacted the Group's supply chain and certain of its sales channels, in particular the China Cross Border E-Commerce (CBEC) and daigou channels. 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 19**)

4 Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2022	2021
Nuchev Food Pty Ltd	Manufacture and sale of goat based nutritional products	Australia	100%	100%
Nanny Grove Pty Ltd	Nil activity	Australia	100%	100%
Nuchev Property Pty Ltd	Nil activity	Australia	100%	100%
Nuchev (Hong Kong) Ltd	Nil Activity	Hong Kong	100%	0%

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

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

Significant restrictions

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

5 Revenue from contracts with customers

5.1 Disaggregated revenue information

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

	2022 \$	2021 \$
Type of good		
Formula and nutritional powders	7,249,621	10,163,207
Raw materials	2,474,188	736,135
Total revenue from contracts with customers	9,723,809	10,899,342
Geographical markets		
Australia	6,895,937	5,171,382
China	2,827,872	5,526,000
Vietnam	-	201,960
Total revenue from contracts with customers	9,723,809	10,899,342
Timing of revenue recognition		
Goods transferred at a point in time	9,723,809	10,899,342

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

5.2 Right of return assets and refund liabilities

	2022 \$	2021 \$
Right of return assets	8,054	5,164
Refund liabilities	(15,628)	(9,275)

5.3 Performance obligations

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

Goat formula, nutritional powders, milk and raw material sales

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

6. Operating segments

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

In 2022 and 2021 the Group had one operating segment being goat formula, nutritional powders and products. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as presented to the chief operating decision maker.

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

	2022 \$	2021 \$
Loss before interest, tax, amortisation and depreciation (adjusted EBITDA)	10,184,972	11,312,820
Depreciation and amortisation	198,904	816,765
Impairment of intangible assets	-	903,072
Impairment of other financial assets	705,000	-
Livestock fair value adjustments	-	252,289
Finance costs	32,099	49,481
Finance income	(12,526)	(65,887)
Loss before tax	11,108,449	13,268,540

Geographical Information

	2022 \$	2021 \$
Revenue		
Australia	6,895,937	5,171,382
China	2,827,872	5,526,000
Vietnam	-	201,960
	9,723,809	10,899,342

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

During the period the Group had five customers who each generated more than 10% of the Group's revenues (2021: three customers generated more than 10% of the Group's revenue). For the year ended 30 June 2022, the revenue for these customers amounted to \$6,782,370 (2021: \$6,837,798).

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.

	2022 \$	2021 \$
Lease liabilities	154,124	286,327
Trade and other payables	1,502,710	1,061,329
Less: Cash and short-term deposits	(5,112,514)	(14,514,645)
Net debt	(3,455,680)	(13,166,989)
Equity	15,827,793	26,690,902
Capital and net debt	12,372,113	13,523,913
Gearing ratio	-28%	-97%

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

8. Other income/expenses

8.1 Other income

	2022 \$	2021 \$
Grants received	94,850	327,150
Rental income	-	120,081
Sundry income	2,085	14,842
Total other income	96,935	462,073

8.2 Finance income and costs

	2022 \$	2021 \$
Finance income		
Interest income	12,526	65,887
Finance costs		
Interest on debts and borrowings	-	2,119
Interest on lease liabilities	26,224	40,132
Fees and charges	5,875	7,230
Total finance costs	32,099	49,481

8.3 Loss for the year

	2022 \$	2021 \$
Included in cost of sales:		
Costs of inventories recognised as an expense	6,946,406	7,443,886
Included in general and administration expenses:		
Depreciation and amortisation expenses	198,904	158,997
Transaction costs associated with the IPO	-	57,333
Write-off of contract assets	-	85,600
Included in other expenses:		
Net foreign exchange losses	69,348	100,931
Amortisation expense – brand registration	69,912	657,768
(Gain)/Loss on disposal of property, plant and equipment	(40,851)	45,690
Inventory obsolescence	51,090	146,608
Inventory provision	(98,519)	401,292
Research and development costs (manufacturing)	434,825	232,051
Included in impairment expense:		
Impairment of intangible assets	-	903,072
Impairment of other financial assets	705,000	-

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

	2022 \$	2021 \$
Included in employment expenses		
Wages and salaries	3,196,767	3,675,178
Post-employment benefits other than pensions	259,504	271,673
Share option payment expense	245,340	350,652
Total employee benefits expense	3,701,611	4,297,503

9. Income tax expense

The major components of income tax expense for the years ended 30 June 2022 and 2021 are:

Consolidated statement of profit or loss	2022 \$	2021 \$
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 2022 and 2021:		
	2022 \$	2021 \$
Accounting (loss) before income tax	(11,108,449)	(13,268,540)
At Australia's statutory income tax rate of 25% (2021: 26%)	(2,777,112)	(3,449,820)
Non-taxable/deductible income/expenses for tax purposes:		
R&D tax incentive exempted from tax	-	-
Non-assessable income	-	(13,000)
Non-deductible expenses	458,908	152,826
Other assessable income	-	12,597
Current year movement in deferred tax not recognised	(388,482)	112,470
Current income tax losses not recognised at 25% (2021: 26%)	2,706,686	3,184,927
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 \$17,623,983 (2021: \$15,202,811) at the tax rate of 25% (2021: 26%).

The deferred tax asset in respect of these losses has not been recognised until it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, and the carry forward tax loss rules have been met.

10. Loss per share ("LPS")

Basic LPS is calculated by dividing the 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 EPS calculations:

	2022 \$	2021 \$
Loss used to calculate basic and diluted LPS	(11,108,449)	(13,268,540)
Weighted average number of ordinary shares for basic and diluted LPS	51,774,398	50,940,184
Basic LPS (dollars)	(0.21)	(0.26)
Diluted LPS (dollars)	(0.21)	(0.26)

11. Financial assets and financial liabilities

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

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

	2022 \$	2021 \$
Debt instruments at amortised cost		
Cash and short-term deposits (Note 13)	5,112,514	14,514,645
Trade and other receivables (Note 14)	1,655,558	1,079,885
Other assets (Note 17)	81,325	81,826
Other financial assets (Note 20)	379,081	-
Total financial assets	7,228,478	15,676,356
Total current	6,782,588	15,607,832
Total non-current	445,890	68,524

11.2 Financial liabilities

	2022 \$	2021 \$
Financial liabilities		
Trade and other payables (Note 21)	1,502,710	1,061,329
Total financial liabilities	1,502,710	1,061,329
Total current	1,502,710	1,061,329
Total non-current	-	-

12. Financial instruments risk management objectives and policies

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

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

Counterparty risk

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal exposure to the risk of changes in market interest rates given the Group has no debt obligations at 30 June 2022.

Foreign currency risk

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

Foreign currency sensitivity

Assets/Liabilities at 30 June 2022	Currency	Exposure	AUD	+/-5% mvmt pre-tax P&L impact \$
Cash and short-term deposits	RMB	247,904	53,750	(2,560)/2,829
Cash and short-term deposits	USD	330	479	(23)/25
Cash and short-term deposits	EUR	1,135,088	1,722,701	(82,033)/90,668
Trade and other receivables	RMB	337,669	73,212	(3,453)/3,890
Other Assets	USD	10,000	14,516	(691)/764
Other Assets	RMB	302,600	65,609	(3,094)/3,486
Other financial assets	RMB	5,000,000	1,084,081	(51,130)/57,602
Trade and other payables	RMB	(145,752)	(31,601)	1,490/(1,679)

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
Trade and other receivables	RMB	746,119	153,671	(7,318)/8,088
Trade and other receivables	EUR	998,040	1,579,178	(75,199)/83,115
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

12. Financial instruments risk management objectives and policies (continued)

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 2022						
Trade and other payables	-	1,502,710	-	-	-	1,502,710
Lease liabilities	-	37,025	117,099	-	-	154,124
	-	1,418,491	117,099	-	-	1,535,590

	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

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 potential and 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.

Other Financial Assets

Credit risk associated with other financial assets is managed through policies, procedures and controls relating to counterparty credit risk management. The credit quality of a counterparty is assessed based on past history and an evaluation of the counterparty's credit worthiness. Outstanding 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 potential and expected credit losses. A provision rate is based on a calculation of 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. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in **Note 14**.

30 June 2022

	Current	One month	Two months	Three months +	Total \$
Expected credit loss rate	1.00%	2.00%	5.00%	100%	3.18%
Estimated total gross carrying amount at default	515,753	952,387	147,008	20,348	1,635,496
Expected credit loss	5,158	19,048	7,350	20,348	51,904

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

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 2022, the Group had available \$2,250,000 (2021: \$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 2022.

On 25 February 2022, the Group entered into a loan agreement with the Whiti Trust, a related party of Ben Dingle. Commencing 1 June 2022, this agreement makes available a loan facility of up to \$2,000,000 available in instalments from \$250,000. Any drawdowns must be repaid by 31 December 2024, with repayment instalments being made quarterly, commencing 31 March 2024. Interest is payable quarterly in arrears at a rate of BBSW +12%, with an additional 1% line fee. These costs can be capitalised and added to the Principal amount, accruing interest and repayable under the terms above. The terms of the loan were benchmarked to comparable products from independent third parties.

13. Cash and short-term deposits (continued)

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

	2022 \$	2021 \$
Cash at bank and on hand	4,782,514	14,184,645
Short-term deposits	330,000	330,000
	5,112,514	14,514,645

Cash flow reconciliation

Reconciliation of net (loss) before tax to net cash flows from operations:

(Loss) before tax	(11,108,449)	(13,268,540)
Adjustments to reconcile (loss) before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	23,258	53,317
Depreciation of right of use asset	102,314	102,314
Amortisation and impairment of intangible assets	71,113	661,134
Impairment of intangible assets	-	903,073
Impairment of other financial assets	705,000	-
(Gain) / Loss on disposal of property, plant and equipment	(40,851)	45,690
Livestock fair value adjustments	-	252,289
Share based payment expense	245,340	350,652
Finance costs	32,099	17,908
Transaction costs on IPO	-	57,333
Net foreign exchange differences	(69,348)	3,753
Provision for expected credit losses	34,401	269,375
Working capital adjustments:		
(Increase)/decrease in trade receivables and other assets	(568,263)	3,054,207
Decrease/(increase) in inventories	1,996,058	(1,872,917)
Increase/(decrease) in trade and other payables	291,326	(492,625)
Movements in provisions	(14,308)	368,662
Net cash flows used in operating activities	(8,300,310)	(9,494,376)

14. Trade and other receivables

	2022 \$	2021 \$
Trade receivables	1,635,496	1,332,695
Allowance for expected credit losses	(51,904)	(313,603)
	1,583,592	1,019,092
Other receivables	71,966	60,793
	1,655,558	1,079,885

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:

	2022 \$	2021 \$
At 1 July	(313,603)	(44,228)
Provision for expected credit losses	(34,401)	(269,375)
Utilised	296,100	-
At 30 June	(51,904)	(313,603)

Information about the credit exposures are disclosed in **Note 12**.

15. Prepayments

	2022 \$	2021 \$
Inventory prepayments	260,736	141,324
Other	256,240	243,557
	516,976	384,881

16. Inventories

	2022 \$	2021 \$
Raw material ingredients (at cost)	4,080,539	4,854,881
Work in progress (at cost)	2,646,329	3,365,320
Finished goods (at cost)	3,704,502	4,309,876
Less: Provision	(1,076,788)	(1,179,436)
	<u>9,354,582</u>	<u>11,350,641</u>

The provision for inventory represents amounts provided for stock on hand, which is available for sale, but which has less than half of its shelf life remaining. This stock can still be sold, and markets for these products are being explored.

Raw material ingredients, work in progress and new formulation finished goods have been provided for following a consistent method to prior year, with no material provision required.

17. Other assets

	2022 \$	2021 \$
Current		
Deposits	14,516	13,302
Right of return asset	8,054	5,164
	<u>22,570</u>	<u>18,466</u>
Non-current		
Rental bond	1,764	1,735
Deposits	65,045	66,789
Total other assets	<u>66,809</u>	<u>68,524</u>

18. Property, plant and equipment

	2022 \$	2021 \$
Leasehold improvements:		
At cost	7,689	7,689
Accumulated depreciation	(3,076)	(1,538)
	<u>4,613</u>	<u>6,151</u>
Plant and equipment:		
At cost	108,418	248,163
Accumulated depreciation and impairment	(84,613)	(151,087)
	<u>23,805</u>	<u>97,076</u>
Total property, plant and equipment	<u>28,418</u>	<u>103,227</u>

Cost

At 1 July 2021	6,151	97,076	103,227
Additions	-	12,025	12,025
Disposals/Refunds	-	(63,576)	(63,576)
Impairment	-	-	-
Depreciation	(1,538)	(21,720)	(23,258)
At 30 June 2022	<u>4,613</u>	<u>23,805</u>	<u>28,418</u>

Cost

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)	(53,517)
At 30 June 2021	<u>6,151</u>	<u>97,076</u>	<u>103,227</u>

19. Intangible assets

	2022 \$	2021 \$
License cost:		
At cost	-	1,473,462
Less accumulated impairment	-	(675,242)
Less accumulated amortisation	-	(798,220)
	<u>-</u>	<u>-</u>
Development costs:		
At cost	570,070	570,070
Less accumulated impairment	(227,830)	(227,830)
Less accumulated amortisation	(82,436)	(12,524)
	<u>259,804</u>	<u>329,716</u>
Trademarks:		
At cost	246,644	245,105
Software:		
At cost	197,868	204,105
Accumulated amortisation	(195,670)	(194,469)
	<u>2,198</u>	<u>9,636</u>
Total intangible assets	<u>508,646</u>	<u>584,457</u>

19. Intangible assets (continued)

Impairment of Intangible Assets

Management has assessed its intangible assets for impairment during the year by comparing the recoverable amount with their carrying amount as at 30 June 2022. The recoverable amount is estimated based on value in use.

Development Costs

Development costs capitalised have been assigned a useful life of 3-5 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.

Impairment Assessment

Given the impact of COVID-19 on the company's revenue and losses, management has performed an 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 2022, with the recoverable amount being estimated based on values 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 charge being recognised.

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 for a five-year period.

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

- Gross margins
- Discount rate
- Terminal growth rate

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 future tax flows in order to reflect a post-tax discount rate. A rate of 13% (2021: 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% (2021: 3%) has been used.

As at 30 June 2022 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 7% (2021: 1%), discount rate increase of 28% (2021: 4%); or terminal growth rate reduction of 252% (2021: 28%).

Movements in carrying amounts of intangible assets

	Licence Costs \$	Development Costs \$	Trademarks \$	Software \$	Total \$
Cost					
At 1 July 2021	-	329,716	245,105	9,636	584,457
Additions	-	-	1,539	-	1,539
Disposals	-	-	-	(6,237)	(6,237)
Impairment	-	-	-	-	-
Amortisation	-	(69,912)	-	(1,201)	(71,113)
At 30 June 2022	-	259,804	246,644	2,198	508,646

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

20. Other financial assets

	2022 \$	2021 \$
Deposits held with third parties	1,084,081	-
Provision for impairment	(705,000)	-
	379,081	-

Other financial assets relate to deposits held with third parties for business development. The deposit is repayable at the end of the agreement which is in a period greater than 12 months. Management has assessed their recoverability and recognised a provision for impairment for potential credit exposure

Information about the Group's credit exposures are disclosed in **Note 12**.

21. Trade and other payables

	2022 \$	2021 \$
Trade payables	673,593	307,468
Other payables and accrued expenses	760,907	709,960
Net GST payable	68,210	43,901
	<u>1,502,710</u>	<u>1,061,329</u>

Terms and conditions of the above financial liabilities:

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

22. Government grants

	2022 \$	2021 \$
At 1 July	-	-
Received during the year	94,850	327,150
Released to the statement of profit or loss	(94,850)	(327,150)
Grant funds returned	-	-
At 30 June	<u>-</u>	<u>-</u>

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 related support were also received in FY21.

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

23. Provisions

	Annual leave \$	Long service leave \$	Total \$
At 1 July 2021	204,812	56,708	261,520
Arising during the year	188,894	26,021	214,915
Utilised	(229,222)	-	(229,222)
At 30 June 2022	<u>164,484</u>	<u>82,729</u>	<u>247,213</u>

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	<u>204,812</u>	<u>56,708</u>	<u>261,520</u>

	2022 \$	2021 \$
Total current	164,484	204,812
Total non-current	82,729	56,708

Provision for employee benefits

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

24. Leases

Group as a lessee

The Group has lease contracts for the rental of office spaces for its operations. Leases of office spaces generally have lease terms between 2 and 5 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	
	2022	2021
	\$	\$
As at the 1 July	204,628	306,941
Additions	-	-
Depreciation expense	(102,314)	(102,313)
As at 30 June	102,314	204,628

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

	2022	2021
	\$	\$
As at the 1 July	286,327	386,264
Additions	-	-
Interest	26,224	40,132
Payments	(158,427)	(140,069)
As at 30 June	154,124	286,327
Current	154,124	132,310
Non-current	-	154,017

The following are the amounts recognised in profit or loss:

	2022	2021
	\$	\$
Depreciation of right-of-use assets	102,314	102,313
Interest expense on lease liabilities	26,224	40,132
Expense relating to short-term leases	5,441	7,046
Expense relating to leases of low-value assets	-	1,632
Total amount recognised in profit or loss	133,979	151,123

The Group had total cash outflows for leases of \$158,427 in 2022 (2021: \$140,069). The lease contracts for office spaces contain fixed rental increases and no variable payments, termination options or extensions. Total weighted average lease term is 1 year (2021:2 years).

25. Other liabilities

	2022	2021
	\$	\$
Current		
Contract liability – right of return	15,628	9,275
Total other liabilities	15,628	9,275

26. Issued capital

	2022	2021
	\$	\$
51,774,398 fully paid ordinary shares	96,036,786	96,036,786

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 2020	45,000,357	81,703,396
Shares issued	6,774,041	15,220,527
Equity related transaction costs	-	(887,137)
At 30 June 2021	51,774,398	96,036,786
Shares issued	-	-
Equity related transaction costs	-	-
At 30 June 2022	51,774,398	96,036,786

27. Other capital reserves

	2022	2021
	\$	\$
Balance at the beginning of the period	1,670,117	1,319,465
Share based payments - employee	245,340	350,652
Share based payments - other	-	-
Balance at the end of the period	1,915,457	1,670,117

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 in **Note 28**:

28. Share-based payments

Share based payments – Employee (Long-term Incentive (“LTI”) Plan FY22)

In August 2021, a total of 3,076,131 options were provided to senior executives (including the CEO) as part of the 2022 Financial Year Equity Incentive Plan (EIP). The share options were issued for no cost, however, have an exercise price of \$0.5217 per option and convert to an equal number of shares on vesting which occurs on meeting both the continuous employment and performance conditions (non-market) to 30 June 2024. The 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 ranged between \$0.320 and \$0.349 per option determined using a Black Scholes Merton Model which included amongst other factors the following values in the table below.

FY22 Employee Rights

In July 2021, a total of 431,300 rights were provided to senior executives 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 two years from the date of issue. The vesting conditions require the meeting of both performance conditions and continuous service conditions to 30 June 2024. The rights lapse on cessation of employment, subject to Board discretion. The fair value of the rights at grant date has been estimated to be \$0.520, determined using a Black Scholes Merton Model which included amongst other factors the following values in the table below.

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. The 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 \$0.420 per option determined using a Monte Carlo Simulation which included amongst other factors the following values in the table below.

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 has been estimated to be \$2.135, refer to the 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.

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	FY22 Rights	FY22 LTI
Exercise price	\$2.500	Nil	\$2.600	Nil	\$2.553	Nil	\$0.5217
Term of option/right (expiry)	5 years	3 years	5 years	3 years	5 years	2 years	4 years
Fair value at grant date	\$0.6622	\$2.600	\$0.649	\$2.135	\$0.405	\$0.520	\$0.320 -\$0.349
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Expected volatility	40%	35%	35%	69%	69%	75%	75%
Risk-free rate	2%	1%	1%	0.29%	0.19%	1%	1%

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. In FY21 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 2020	Granted	Lapsed	30 June 2021	Granted	Lapsed/Expired	30 June 2022
FY16/17 LTI	2.500	541,250	-	-	541,250	-	(463,108)	78,142
FY20 Rights	-	23,076	-	(2,885)	20,191	-	(3,846)	16,345
FY20 LTI	2.600	1,334,419	-	(105,087)	1,229,332	-	(363,073)	866,259
FY21 Rights	-	-	39,480	-	39,480	-	(39,480)	-
FY21 LTI	2.553	-	1,092,186	(83,800)	1,008,386	-	(344,975)	663,411
FY22 Rights	-	-	-	-	-	431,300	(239,600)	191,700
FY22 LTI	0.522	-	-	-	-	3,076,131	(720,164)	2,355,967
Total		1,898,745	1,131,666	(191,772)	2,838,639	3,507,431	(2,174,246)	4,171,824
VWAP \$		2.57			2.56			1.29
Vested		463,108			541,250			944,401

The weighted average remaining contractual life of the outstanding options as at 30 June 2022 was 2.2 years (2021: 3.2 years).

463,108 FY16/17 LTI options expired in the financial year. No options 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 \$245,340 (2021: \$350,652).

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.

		Payments to related parties \$	Interest/Fees \$	Amounts owed to related parties \$
Key management personnel of the Group				
Other directors' interests	2022	6,591	-	-
	2021	57,601	-	45,601

Transactions with key management personnel**Other directors' interests**

During the prior year, purchases totalling \$12,000 were made by Group companies to non-executive director Owen Chan. These consulting services were provided at arm's length terms between August and October 2020 and have ceased.

In the prior year, 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 the prior year reporting date. This amount was paid in full during FY22. In addition, a further charge for commission of \$6,591 was incurred and paid in FY22.

On 25 February 2022, the Group entered into a loan agreement with the Whiti Trust, a related party of Ben Dingle. Commencing 1 June 2022, this agreement makes available a loan facility of up to \$2,000,000 available in instalments from \$250,000. Any drawdowns must be repaid by 31 December 2024, with repayment instalments being made quarterly, commencing 31 March 2024. Interest is payable quarterly in arrears at a rate of BBSW +12%, with an additional 1% line fee. These costs can be capitalised and added to the Principal amount, accruing interest and repayable under the terms above. The terms of the loan were benchmarked to comparable products from independent third parties.

Compensation of key management personnel of the Group

	2022 \$	2021 \$
Short-term employee benefits	1,089,236	1,116,558
Post-employment benefits	71,649	70,124
Share-based payments	154,205	155,097
	1,315,090	1,341,779

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

30. Standards issued but not yet effective

New accounting standards, interpretations and amendments have been issued but are not yet effective. However, these are not considered relevant to the activities of the Group, nor are they expected to have a material impact on the financial statements of the Group.

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 2022.

32. Information relating to Nuchev Ltd (the Parent)

	2022 \$	2021 \$
Current assets	2,535,687	12,536,314
Total assets	54,721,189	62,768,467
Current liabilities	903,952	1,016,629
Total liabilities	986,681	1,073,337
Issued capital	96,036,786	96,036,786
Accumulated losses	(44,217,957)	(36,011,772)
Other capital reserves	1,915,459	1,670,117
(Loss) of the Parent entity	(5,817,721)	(6,158,817)
Total comprehensive (loss) of the Parent entity	(5,817,721)	(6,158,817)

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.

33. Auditor's remuneration

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

	2022 \$	2021 \$
Audit fees – Ernst & Young	182,000	160,000
Non-Audit fees – Ernst & Young	-	-
	182,000	160,000

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 2022 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 2022 and of its performance for the year ended on that date; and

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

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

2. A statement of compliance with International Financial Reporting Standards is included in the Basis of Preparation and Accounting Policies in the Notes to the consolidated financial statements

3. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the directors.



B. Dingle

Managing Director and Chief Executive Officer

Date: 31 August 2022



J. Breheny

Chairman, Non-Executive Director

Date: 31 August 2022

Independent Auditor's Report



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Independent auditor's report to the members of Nuchev Limited and its controlled entities

Report on the audit of the financial report

Opinion

We have audited the financial report of Nuchev Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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:

- Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Revenue Recognition

Why significant	How our audit addressed the key audit matter
At 30 June 2022, the Group recorded revenue of \$9.72 million. Revenue from the sale of goods is recognised when control of the goods is transferred to the customer. The Group recognises the revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and rebates (collectively accruals). Due to the diverse range of contractual agreements and commercial terms across the Group's customers and distributors, there is complexity and judgement in determining sales revenues. Revenue is also an important element in how the Group measures its performance. Accordingly, we consider revenue recognition to be a key audit matter.	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. - Tested the effectiveness of controls over the revenue process. - Performed revenue to trade receivables and cash data correlation testing. - 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 and transactions subsequent to year end. - 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 financial report for consistency with the Group's policies and the Accounting Standards.

Inventory Valuation

Why significant	How our audit addressed the key audit matter
As at 30 June 2022, the carrying amount of inventory was \$9.35 million, net of a provision for inventory obsolescence of \$1.08 million, representing 53% of total assets of the Group. Inventory is valued at the lower of cost or net-realizable value (NRV). Senior management closely monitor the quality and shelf life 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 finished goods inventory with less than 50% of its shelf life remaining and other inventory as specifically identified. 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 procedures we performed with respect to inventory valuation were: - Performed a walkthrough to understand the adequacy of the design of the inventory existence and valuation processes. - Attended inventory counts at the major warehouse locations and agreed a sample of inventory items counted into the inventory records. - Obtained stock confirmations from third party logistics providers for a sample of other sites. - Tested inventory costing to invoices from suppliers of goods and suppliers of contract manufacturing services. - Tested the validity of expiry dates used in the stock aging analysis by inspecting a sample of products. - Assessed whether adequate provision was made for aged product taking into account the value of stock on hand at year end and expected future sales. - Assessed the adequacy of the Group's disclosures concerning significant accounting estimates and judgements and inventory in the financial report.

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Independent Auditor's Report (continued)



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Going Concern

Why significant	How our audit addressed the key audit matter
As disclosed in Note 2.2 to the financial report the directors concluded that in their opinion, there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. As such, the financial report has been prepared on a going concern basis. In making this assessment, consideration has been given to potential impacts of declining growth in certain markets and regions where the Group operates and forecast cash flows based on best estimates within a range of future market scenarios. For the year ended 30 June 2022, the Group generated a net loss after tax of \$11.11 million, had \$5.11 million of cash on hand, \$2.25 million of undrawn debt facilities and net current assets of \$14.83 million. The going concern assumption is fundamental to the basis of preparation of the financial report. Given the judgment involved in the preparation of cash flow forecasts to support the going concern conclusion, this was considered a key audit matter.	Our procedures included the following: ▶ Evaluated the assumptions made in the budget and the cash flow forecasts approved by the Board with reference to historical performance, customer pipeline and recent cost reduction initiatives. ▶ Considered the historical accuracy of the Group's cash flow forecasting with reference to actual results in prior periods. ▶ Considered the impact of a range of sensitivities to the cash flow model to assess the breakeven position, including reference to the Group's available borrowing facilities. ▶ Obtained confirmation of the borrowing facilities and availability throughout the forecast period. ▶ Assessed the adequacy of the going concern disclosures contained in Note 2.2.

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 Group's 2022 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

If, based on the work we have performed 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.

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Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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Independent Auditor's Report (continued)



- 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 58 to 73 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Nuchev Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Katie Struthers
Partner
Melbourne
31 August 2022

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Shareholder Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholder not elsewhere disclosed in this Annual Report. The information provided is current as at 13 October 2022 (Reporting Date).

(a) Distribution of equity securities

Range	Shares	Total Holders	% of Shares
1 - 1,000	194,299	384	0.38%
1,001 - 5,000	1,041,882	381	2.01%
5,001 - 10,000	1,201,500	156	2.32%
10,001 - 100,000	5,163,699	165	9.98%
100,001 Over	44,143,018	36	85.31%
Total	51,744,398	1,172	100.0%

(b) Unmarketable parcels

	Parcel size	Holders	Units
\$500 parcel at \$0.24 per unit	2,083	542	452,296

(c) Equity security holders

Twenty largest quoted equity security holders (ordinary shares)

	Number held	%
BNP PARIBAS NOMS PTY LTD <DRP>	12,601,443	24.35%
BEN MCFARLANE DINGLE	11,976,000	23.14%
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 SECURITIES LIMITED <CLIENT A/C>	966,947	1.87%
ATATURK INVESTMENTS PTY LTD	506,512	0.98%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	325,571	0.63%
JUSTIN BREHENY	267,429	0.52%
MANGO & CHUBB PTY LTD <SUPERANNUATION FUND A/C>	240,000	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%
MF & SA SUPER PTY LTD <MF & SA SUPER A/C>	201,000	0.39%
WORKING DOG INVESTMENTS PTY LTD <THE WORKING DOG A/C>	195,801	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%
SHARMA INVESTMENTS PTY LTD <SHARMA INVEST DISC A/C>	177,311	0.34%
TOP END ENTERPRISES PTY LTD <ATKINS SUPER FUND A/C>	177,311	0.34%
	42,063,845	81.29%

(d) Substantial shareholders

As at 13 October 2022, the substantial holders of the Group and number of equity securities in which those substantial holders and their associates have a relevant interest are as follows:

Substantial holders in the company are set out below:

Ordinary shares	Number held	% of ordinary shares
BEN DINGLE	23,147,277	44.92%
MITHAQ CAPITAL	12,095,450	23.38%
	35,242,727	68.29%

(e) 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

(f) Unquoted securities

	Number held	Number of holders
Options and Share Rights issued under Nuchev Employee, Director Option Plans to take up ordinary shares	4,669,690	13

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 Founder Executive Director Selina Lightfoot Non-Executive Director Jeffrey Martin Non-Executive Director Michelle Terry Non-Executive Director Owens Chan Non-Executive Director
Chief Executive Officer	Greg Kerr
Company secretary	Tamara Barr



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