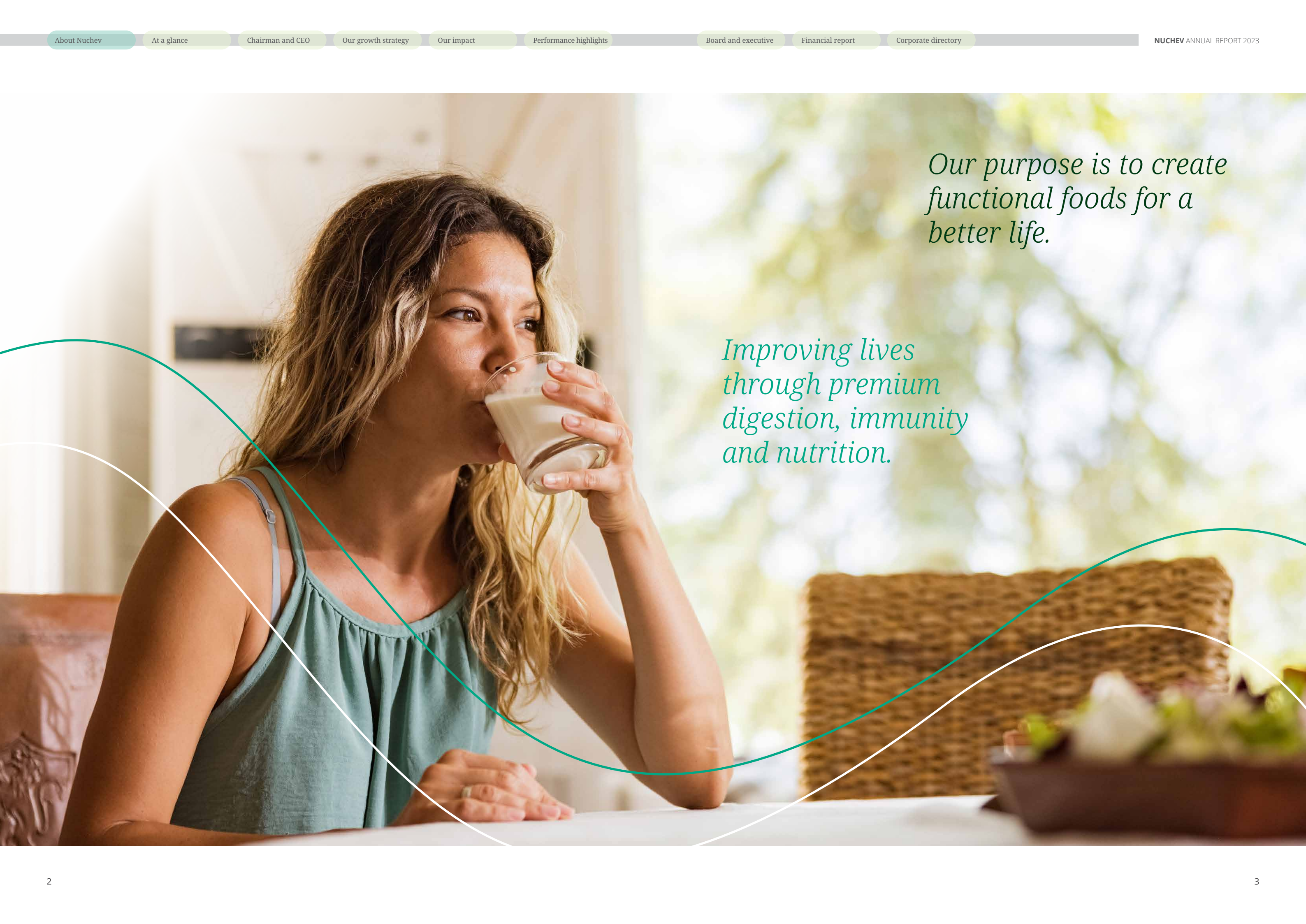




Foundations for growth

NUCHEV LIMITED
2023 ANNUAL REPORT

*years of functional foods
for a better life*

A woman with long, wavy brown hair is sitting at a table, drinking from a glass of milk. She is wearing a teal-colored sleeveless top. In the background, there is a bowl of fruit and a wicker chair. The scene is brightly lit, suggesting a sunny day.

*Our purpose is to create
functional foods for a
better life.*

*Improving lives
through premium
digestion, immunity
and nutrition.*



Foundations for *growth*

“The positive changes made throughout the year have laid the foundations for our next phase of growth and innovation. We continue to adapt and evolve to meet challenging market conditions and new opportunities with the support of our dedicated employees and business partners.”

Justin Breheny Nuchev Chair

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Our history

For ten years, Nuchev has combined the power of science and nature to create functional foods for a better life.

Since the launch of our world-class formula brand Oli6® in 2016, we have grown with and for our customers with premium nutritionals that aid digestion and immunity. Proudly Australian, today our footprint spans Australia, New Zealand and China with a growing product portfolio to support health, wellbeing and nutrition at all stages of life.



We are ambitious

We dare to dream big

Ambition is the driving force behind our success. We believe in pushing boundaries, setting audacious goals and constantly striving for excellence. We understand that progress requires ambition, and we encourage each member of our team to be ambitious in their pursuit of innovation, growth, and personal development.



We are trustworthy

We do what's right

Trust through integrity is the cornerstone of our reputation. We are unwavering in our commitment to honesty, transparency and ethical conduct. We hold ourselves accountable to the highest standards of trustworthiness, ensuring that our actions align with our words. We foster a culture of honesty and open communication, where integrity is non-negotiable.



We are committed

We treat the business like our own

Commitment is our promise to ourselves and to our stakeholders. We believe in taking ownership of our actions and responsibilities. We understand that accountability is the key to building trust and achieving success, and we encourage a culture of responsibility at all levels of our organisation. When we make commitments, we honour them.



Consumer first

We consider our consumer in every decision

Putting the consumer first is at the heart of everything we do. We understand that our customers are the lifeblood of our business, and we are dedicated to meeting and exceeding their needs and expectations. We actively listen to their feedback, adapt to their changing preferences and constantly innovate to provide the best possible products and services. Our commitment to putting the consumer first drives our decisions and actions every day.

Our values

Our values guide our work every day and set the standard to which we aspire.

Our business model

Nuchev is a market-leading nutritional company specialising in digestion and immunity. We develop, market and sell a range of premium, Australian-made nutritional products across multiple channels in Australia and China.

Our business model leverages trusted partnerships, from world-class raw ingredient suppliers and Australian-based manufacturers to well-respected distributors and retailers in an established, secure and scalable supply chain.



2 production facilities

Operated by strategic partners in Victoria

Strategic distribution agreement with H&S Group, for China and Vietnam#.
Access to:

8+
warehouses

60+
online e-tail stores

3500+
open and modern trade outlets in Hong Kong

1000+
pharmacies including Chemist Warehouse

1300+
Coles and Woolworths stores

#H&S will be the new exclusive distributor for Nuchev's Oli6® products in all channels in the Peoples Republic of China (including Hong Kong & Macau) ("China") and Vietnam (with limited exceptions).

At a glance

We have reset our strategy and established a strategic distribution agreement in China and Vietnam. This progress has built strong foundations for continued sales growth in domestic and international markets.

Oli6®
Fastest growing
brand in sector *

*Australian Retail Goat Infant Formula sector (12 months to 30 June 2023)

Oli6®
sales domestic market growth
\$5.5m v \$4.4m pcp



3.5%

increase in Oli6® sales revenue
(excluding raw material sales)¹

\$7.5m v \$7.2m pcp

¹ Oli6® sales are core business, and exclude sales of raw materials

6.5%

increase in Oli6® sales volume

230 mT v 216 mT pcp

#1
Toddler Milk
Brand

Oli6® voted the “Number 1 Toddler Drink” by Product Review for the third year in row (2021, 2022 and 2023)



Welcome
H&S Group²

New distribution agreement unlocks growth in China and Vietnam

² H&S Group is comprised of H&S International (Aust) Pty Ltd ACN 621 762 285 (H&S International) and H&S Investments Australia Pty Ltd ACN 643 475 601 as trustee for the H&S Investment Unit Trust ABN 62 122 826 764 (H&S Investments) (collectively H&S Group)

Report of the CEO and Chair

We are pleased to present the 2023 Annual Report for Nuchev Limited.



Justin Breheny
Chair



Greg Kerr
Chief Executive Officer

Dear shareholders,

2023 was a year of transformation for the company as we made significant changes to our China operations that will underwrite growth over the next three years, strengthened our capital base and cash position, maintained and grew our market leadership in Australia, achieved revenue growth and strong EBITDA improvement, and underwent a leadership transition.

We believe these and other initiatives will unlock new opportunities for profitable, scalable and sustainable growth.



Strategy driving operating results

In FY23, we delivered sales revenue (excluding sale of raw materials)¹ of \$7.5 million for the year, up 3.5% on the prior year with an adjusted EBITDA² improvement of \$2.9 million or 28%.

Our operating loss after tax was reduced by 20%. Our disciplined inventory and working capital management allowed the Group to reduce inventory holdings by 43% by the year end.

The Group continues to maintain a robust and flexible balance sheet, with positive working capital and net assets of \$12.8 million and no external debt. Our closing cash position of \$7.5 million was an improvement of \$2.4 million on the previous year.

Net cash used in operating activities was \$5.0 million lower due to higher receipts from customers, lower investment in product manufacturing and operating costs, lower selling and marketing costs and reduced general and administration costs.

These achievements can be directly attributed to our strategy and progress made across the business and the supply chain over that time, along with our commitment to invest in our brand.

During the year, the Group completed an in-depth strategic review of our China business that resulted in critical changes to the business. As a result, we successfully negotiated an exclusive strategic distribution agreement with H&S Group³ for China and Vietnam (with limited exceptions), that will serve as a platform for future growth in the region. H&S also became a significant shareholder in the business, acquiring 19.9% of shares on issue in June 2023, thus assuring strong economic alignment.

The three-year agreement between Nuchev and H&S, for H&S to purchase and distribute a minimum of \$20 million of Nuchev's product, includes a strategy for us to rapidly develop and launch an innovative bovine product.

This also presents an opportunity to review our brand and category positioning.

During the FY23 year, the Group successfully raised \$6.5 million from a rights issue and share placement to H&S Investments, before transaction costs associated of \$0.7 million. Carefully considered investment back into the business will remain a priority.

¹ Oli6® sales are core business, and exclude sales of raw materials

² Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation, and tax and excludes sales of raw ingredients, product obsolescence and impairment of assets.

³ H&S Group is comprised of H&S International (Aust) Pty Ltd ACN 621 762 285 (H&S International) and H&S Investments Australia Pty Ltd ACN 643 475 601 as trustee for the H&S Investment Unit Trust ABN 62 122 826 764 (H&S Investments) (collectively H&S Group or H&S).



Strength of pricing, product and distribution

The business continues to build capability and take proactive steps towards overcoming challenging market conditions in the Australian and Chinese markets, which requires significant investment to drive sales to scale across multiple sales channels as well as brand marketing and channel support.

We will be expanding our product portfolio in the future and we have set a solid platform for this through FY23. Functional foods are at the heart of our purpose as a business and from this we will look at adjacent product categories that complement what we do today.

Domestically our business is strong and our market share and volume continue to increase, demonstrating that consumers appreciate the benefits of the product as shown by Oli6® being voted the #1 Toddler drink on Product Review for the third consecutive year.

Our supply chain has continued to maintain an uncompromising commitment to safety and quality, coupled with continuity of supply supported by our partnerships with world-class manufacturers. The quality of our products remains the cornerstone to the Oli6® brand.

Oli6® continues to drive momentum in the Australian retail goat infant formula market, being the fastest growing brand⁴ across Coles, Woolworths and Chemist Warehouse.

4 Source: Iqvia Scan Data – Moving Annual Total ("MAT") to 30 June 2023

Our people

As previously announced, Greg Kerr has resigned as the Company's Chief Executive Officer and will remain in the role until 15 December 2023.

Greg has successfully led the Company during a period of transformation and delivered organisational changes that positioned the business for long-term growth, particularly establishing the new distribution agreement with H&S Group. We are grateful to Greg for his contributions to the business and wish him well in the future. An executive search process is underway to appoint a new CEO.

We would like to thank the executive team and fellow Directors for continuing to represent the needs of our customers, team members, shareholders and the communities we serve.

Going forward

At the core of our progress is conviction and our strong sense of responsibility towards our customers and suppliers, and commitment to our purpose - functional foods for a better life.

We are confident that the ongoing refinement of our strategy will continue to deliver value, and position us for a positive future. Looking ahead, we will continue to build on our FY23 results and further grow the company as we look to celebrate our 10th anniversary.

Yours sincerely,

Justin Breheny
Chair

Greg Kerr
Chief Executive Officer

Reset and reposition

Our growth strategy

The ongoing execution of our reset strategy during the year has laid the foundation for Nuchev’s next phase of growth and innovation.

We will continue to invest in opportunities that build scale and efficiency, expanding our product portfolio, global footprint and partnerships for long-term growth and shareholder value.

EXPANDING OUR PURPOSE

Functional foods 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

Consumer

- Infant
- Child and Student
- Adult
- Senior

Region

- ANZ
- China
- SE Asia
- India

Nuchev today Innovation Opportunity

¹ Source: Euromonitor 2021

Strategic focus

Boldly leading change to unlock innovation, growth and shareholder value.

PREMIUM BRANDED PLAYER

Lead the market for premium digestion, immunity and wellness nutritionals in multiple categories.



DIVERSIFIED PORTFOLIO

Create new product offerings, informed through rich consumer insights, to support the full lifecycle with a clear focus on digestion, immunity and wellness.



GLOBAL PRESENCE

Expand our presence in China CBEC, enter new markets in South East Asia and maintain stability in Australia and New Zealand market.



RESILIENT GLOBAL SUPPLY CHAIN

Strengthen our supply chain capacity and capability, and ability to adapt and scale to meet market conditions.



Growth

Our strategy in action

Pursuing strategic growth opportunities

In FY23 we entered into a strategic distribution agreement with H&S, one of Australia's largest local and export wholesalers for infant formula, vitamins, supplements, skincare and personal care.

H&S, both as a shareholder in Nuchev and a new, exclusive distributor for our products in China and Vietnam (with limited exceptions), shares our results-focus and will rapidly accelerate our expansion through its existing retail presence in China and distribution channels within the China Cross-Border e-Commerce ("CBEC") market. The agreement with H&S Group is for an initial three-year period commencing 1 July 2023.

The \$6.5m Capital Raise completed in FY23 will support the Group to execute our growth strategy to scale, widen our offering through innovation and enhance market diversification.



Our brand and products

We create functional foods for a better life



Proudly Australian made, our premium range of nutritional products aid digestion and immunity for better health and wellbeing at every stage of life.

Over the past ten years, the strength of our flagship Oli6® brand has grown throughout Australia, New Zealand and China. In line with our growth strategy, the next decade will see continued growth as we widen our product portfolio, diversify our offering and expand into new international markets.

Oli6®

Born from nature.
Led by science.

 #1 Toddler
Milk Brand

**WINNERS FOR 3 YEARS
IN A ROW**



 Trusted by parents
FIVE-STAR RANKING ON



 Sold in 3
international
markets

The strength of our Oli6® brand continued to grow in FY23 with solid sales performance and high customer trust.

Our key focus over the next 12 months is to advance our new product development pipeline, informed by rich consumer insights and innovation.



Oli6® Premium

A scientifically researched blend of prebiotics, probiotics, oligos and vitamins including DHA and lutein. Naturally aids gut health, digestion and immunity.

Oli6® Classic

A gentle formula, naturally high in essential minerals and vitamins with limited additives.



“ During my years as an in-pharmacy Naturopath and also through my private practice, I have recommended Oli6® to many of my patients and their children. Often I receive feedback that they have noticed the benefits of goats milk, including improvements to their digestion and reduced gastrointestinal discomfort. Oli6® is manufactured in Victoria, Australia so quality can be assured and hence I highly recommend it to my clients who want a healthy alternative. ”

Sheetal Kallada. Homoeopath/Naturopath
BHMS/AdvDip Naturopathy, ANTA, ANRANT, CMPAC



Oli6® Natural Goat Milk Powder

A premium nutritional supplement with Vitamin A and D to aid digestion and immunity with naturally occurring prebiotic oligosaccharides. 100 per cent full cream goat milk powder for adults of all ages.

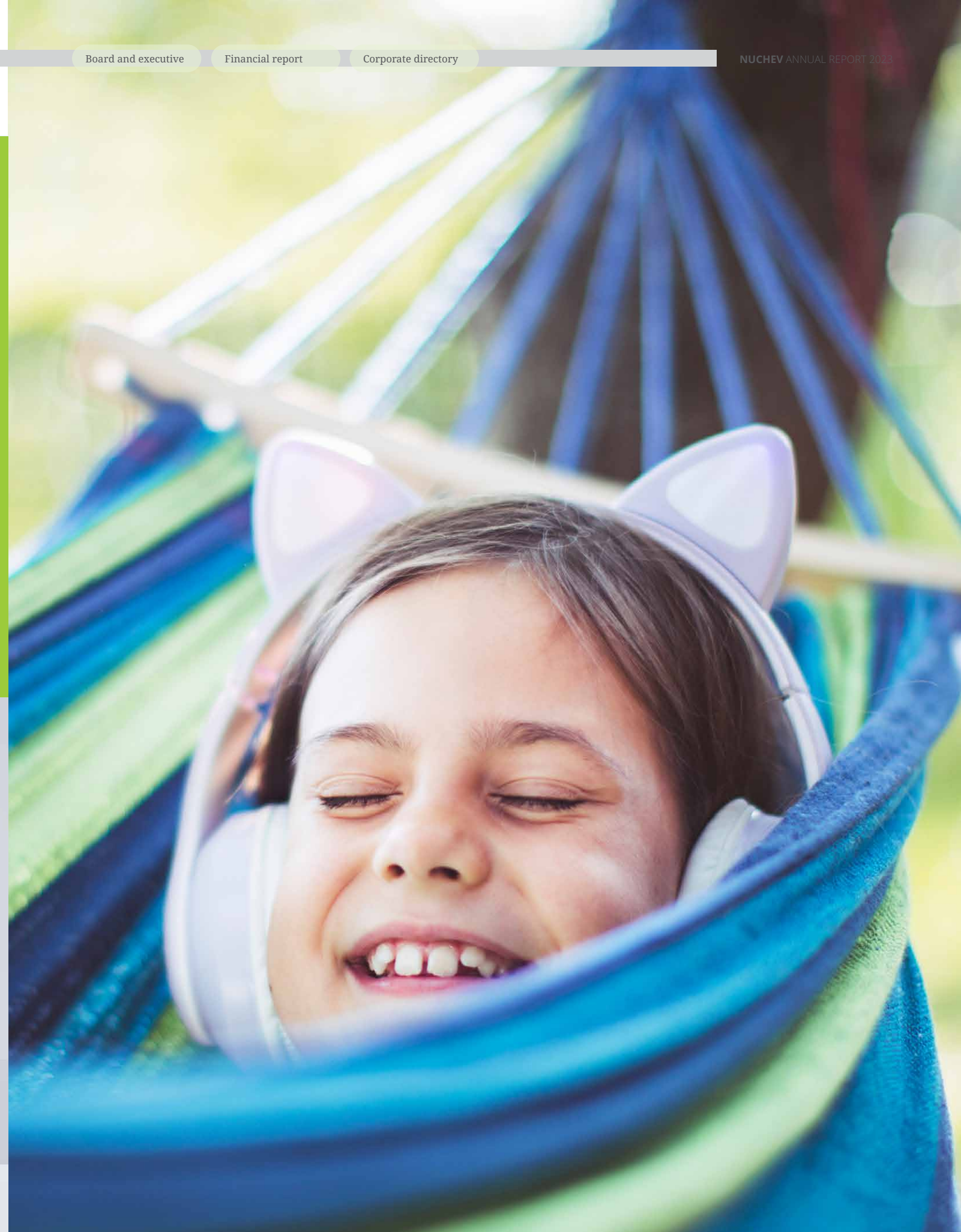


New

Oli6® Immunity+ Full Cream Milk Powder

A powerhouse of immune-boosting goodness, enriched with lactoferrin, colostrum, vitamin A and vitamin D to enhance overall immunity.

Lactoferrin and colostrum provide natural immune support, while vitamin A and D strengthen the body's defences.



Supply Chain Excellence

From farm to family

Our strong global supply chain is underpinned by trusted collaborative partnerships, responsible sourcing and manufacturing, and a rigorous focus on quality to deliver the very best for our customers.



Source

We source world-class ingredients from our trusted supplier network in Australia, New Zealand and the Netherlands. Sharing our passion for quality and sustainability, our partners are global market leaders operating at the forefront of high-quality dairy farming and production.

Produce

Australian base powder manufacturing

Our processing facilities are operated in Victoria, Australia by our strategic manufacturing partner Tatura Milk Industries, a subsidiary of Bega Cheese. This is where the first stage of our manufacturing process takes place, processing quality raw ingredients into high-quality Oli6® nutritional powder.

Blending, canning and packaging

Stage two occurs in third party production facilities in Victoria, Australia. Here, we blend sensitive micro-ingredients with our base powder, which is then canned into the finished product.



Market

Marketing, selling and distribution of Nuchev nutritionals via domestic and international sales and distribution channels.

We are proud of our sales and distribution partnerships with major grocery and pharmacy retailers throughout Australia and New Zealand including Coles, Woolworths and Chemist Warehouse. They have been integral to our success in the domestic market.



H&S agreement

Nuchev's strategic distribution agreement with H&S further strengthens our supply chain capacity and capability, and our ability to adapt and scale to meet market conditions.

Test

All products are assessed for quality throughout the supply chain. Our testing and quality control processes draw on the expertise and capability of our partners and team members to ensure that all Nuchev products meet the highest quality and safety standards.

Our approach to risk

Effective risk management is central to Nuchev's approach to driving sustainable, profitable growth.

Governance of risk

The Board is responsible for the overall system of internal control and has delegated responsibility for ensuring that the Group maintains effective risk management and internal control systems and processes to the Audit and Risk Committee. The Audit and Risk Committee reviews the risk profile including material business risks.

Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Group and aim to provide the Company with warnings of risks before they escalate.

Management implements the action plans developed to address material business risks across the Company. Management regularly monitors and evaluates the effectiveness of the action plans. In addition, management promotes and monitors the culture of risk management within the business as well as ensuring compliance with the internal risk control systems and processes. Management reports regularly to the Audit and Risk Committee and the Board regarding the status and effectiveness of the risk management program.

Approach to risk management

The Group's key risks have been identified and assessed through workshops conducted by senior management with external advisors, with mitigating actions and controls designed to limit the likelihood of key risks occurring, as well as the associated impact if these risks do occur.

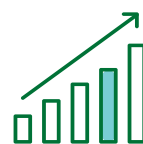
The status of key risks is reported to the Group's Audit and Risk Committee on a regular basis. Our risk management approach continually evolves as management seeks to identify, assess, mitigate and monitor both financial and non-financial risks that may affect the Group's ability to achieve its strategic objectives.

The Group retains a comprehensive risk management framework, identifying the types of risk that may have a material impact to the business, and assessing those risks on the basis of likelihood and consequence.

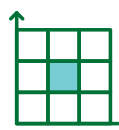
The risk management framework encompasses all areas of Nuchev's operations and includes financial, economic, environmental and reputational risks. Actions to mitigate and manage these risks have been developed to ensure that Nuchev is able to respond swiftly to changes to identified risks and emerging issues. The risk management framework is subject to regular review and is updated for changes in the risks identified.



Environmental



Economic



Financial



Reputational

Key risks

Strategy execution

Nuchev may fail to implement its strategy successfully

Nuchev's strategy is to grow its business across multiple sales channels by building a trusted and strong brand position and quality products that deliver functional benefits to consumers. This is complemented by Nuchev's marketing strategy, which is focused on building exposure and brand awareness, encouraging product trials and engendering consumer loyalty to drive repeat purchases.

There is a risk that Nuchev is unsuccessful in managing its key sales channels and associated sales strategies. Travel restrictions associated with a global pandemic, such as COVID-19, may also have an adverse impact on the speed with which Nuchev is able to develop new business and new markets as part of its growth strategy. Such failure, and the costs incurred in seeking to implement its strategy, may materially and adversely affect the financial performance and future prospects of Nuchev.

There is a risk that Nuchev may not accurately forecast or manage its inventory levels, which may result in Nuchev incurring additional costs and foregoing revenue. For example, if Nuchev produces excess product that it cannot sell in a timely manner, the excess product may need to be sold at a discount, otherwise the excess product will become obsolete and Nuchev may be required to bear the costs of the surplus product and recognise inventory write-down costs.

If Nuchev is unable to manage its inventory effectively, this may have a material adverse impact on the financial position of Nuchev and its operating results.

Management strategies

- The Head of Sales and Business Development, supported by individual channel owners, is accountable for sales performance by channel.
- Joint Business Plans for each product category are agreed with all major customer accounts, enabling more accurate forecasting of sales offtake and customer range requirements.
- Sales targets established by channel and agreed with customers are monitored and reviewed with key account managers on a monthly, quarterly and annual cycle. To assist with this process, the Group purchases external sales data tracking by category to enable access to current market intelligence and competitor activity.
- In addition, the Group sources world class ingredients and industry leading Australian manufacturing facilities that ensure the best quality products for our consumers, as well as maintaining strong product quality standards and applying best practices to ensure the quality of its supply chain to consumers is maintained.
- Nuchev's strategy includes plans to progress market diversification, innovation and NPD to deliver sustainable sales growth. The strategic distribution agreement with H&S Group has agreed sales targets, with incentivisation for H&S to exceed those targets, as well as inbuilt mechanisms designed to prevent inventories exceeding forecast requirements.

Supply chain disruption

Supply chain disruptions may impact access to raw ingredients, production and/or logistics and potentially increase the costs associated

Nuchev's business model involves outsourcing key processes (such as production, processing, blending, canning and logistics) to third party suppliers and service providers. There is a risk that a disruption to the operations of any of Nuchev's key third party suppliers could restrict, interrupt or otherwise adversely affect Nuchev's supply chain. While Nuchev has access to alternate third-party suppliers, there is a risk that it may not be able to secure an appropriate substitute at short notice. Significant disruption to Nuchev's supply chain may adversely affect Nuchev's financial performance and future prospects.

The availability and price of ingredients used in Nuchev's products are influenced by global demand and supply factors outside Nuchev's control, as well as other external or international factors such as the war in Ukraine, climate change, biosecurity and/or other environmental events. Any of these occurrences may lead to a disruption in Nuchev's supply chain.

Nuchev may also be adversely impacted by increases in production and logistics costs, including increases in ingredient prices, toll processing, logistics and distribution costs. If there is a significant increase in the cost of the inputs of Nuchev's products, and the Group is unable to pass on these increases to customers, 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. In certain circumstances, purchasing of ingredients may be transacted in foreign currencies.

Accordingly, fluctuations or volatility in the exchange rate between the Australian dollar and those foreign currencies may adversely impact production costs, which may materially adversely affect Nuchev's operating and financial performance.

Management strategies

- 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 ingredients, with dual contingency supply plans in place for key ingredients. Forward procurement of key ingredients enables stabilisation of pricing and ensures availability.
- Raw material costs are forecast annually based on advice from the Group's preferred suppliers. Pricing of raw materials, production and logistics including third party warehousing suppliers are subject to ongoing monitoring and review processes are in place to assess key variable input costs against fixed costs to ensure flexibility.
- The Group seeks to reduce the impact of supply constraints by leveraging its long-term relationships as well as proactively expanding its supply base to ensure competitive pricing and alternative supply channels exist.
- Continued close co-operation with third-party suppliers in Australia and overseas combined with inventory surveillance and reporting enables stock control and maintains availability through the supply chain.

Channel partnerships

Loss of key channel partner or channel partner support

Nuchev distributes its products through various sales channels, including Australian retailers and China Cross Border E-Commerce (CBEC).

Nuchev's key channel partner relationships may be lost or impaired if channel partners experience financial difficulty or insolvency (with such risk potentially heightened by the occurrence of a global pandemic, such as COVID-19) or by dissatisfaction with Nuchev's business or products.

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.

Management strategies

- Nuchev proactively manages its relationships with channel partners and regularly monitors sales and brand tracking performance. The company has in place Joint Business Plans with each of its key channel partners, that ensure there is a strong and united focus on actions that continue to drive brand equity and sales of Nuchev's products.
- The company's ongoing commitment to product quality helps ensure the company's product portfolio remain an appealing proposition for its key channel partners.
- The company retains a strategic mix of channel partners across the Australian and China CBEC markets in order to optimise sales across a range of channels and markets.

Events

Climate, environmental or biosecurity events impacting Nuchev's supply chain

The quantity and quality of Nuchev's products may be adversely affected by weather or climatic conditions (including climate change).

If a weather or climatic condition disrupts Nuchev's supply chain, this may have a material adverse impact on Nuchev's operations and financial performance.

Nuchev's outsourced suppliers are required to comply with environmental laws and regulations when manufacturing Nuchev's products. The storage, use, production and transportation of Nuchev's products or other inputs in the production process involves the risk of accidents, spills or contamination.

Any of these occurrences could cause harm to the environment, which may lead to disruption in Nuchev's supply chain, regulatory sanctions and remedial costs, and which could negatively impact Nuchev's operating and financial performance. There may also be adverse reputational impacts on Nuchev and its business through its association with any third-party supplier involved in an adverse environmental incident. The incidence of a biosecurity event such as a disease outbreak in the goat herds supplying milk to AVH Dairy could lead to a reduction in available raw goat ingredient supply to Nuchev, which may in turn materially and adversely impact Nuchev's operations, financial performance and reputation.

Management strategies

- Nuchev maintains a scalable, outsourced supply chain that provides flexibility and optionality in the manner through which its products are sourced and manufactured.
- The company has developed a raw materials strategy that identifies alternate companies and geographies from which to source materials, with dual supply plans in place for key ingredients.

Food safety and quality

Failure to comply with food safety and quality standards

As with other food products, the raw ingredients used in Nuchev's manufacturing process as well as Nuchev's final products are susceptible to deterioration, contamination, tampering, adulteration or may otherwise be unsafe or unfit for sale or consumption throughout all stages of the supply chain (including storage).

This may result from various factors, including human error, equipment failure or other external factors that may impact Nuchev and its third-party suppliers and service providers.

Non-compliance with food safety regulations and quality standards, and associated adverse publicity, could damage Nuchev's brand and reputation, reduce demand for Nuchev's products and result in other adverse consequences for Nuchev, including regulatory penalties, other litigation and product recall and disposal costs.

These factors could materially adversely affect the financial performance and future growth prospects of Nuchev.

Management strategies

- Food quality and safety remains at the core of the company's operations and business strategy.
- The Nuchev team regularly conducts quality audits of raw materials, packaging, transport and logistics suppliers as well as co-manufacturers both in Australia and the markets where it operates.
- Stringent testing procedures are enforced on all batches of Full Cream Milk Powder (FCMP) and Whey Protein Concentrate (WPC) 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.
- 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 Nuchev's products.
- The Group monitors for food tampering risks and has food recall and crisis management procedures in place in the event these need to be deployed.
- Testing of these procedures, through "mock" scenario exercises, is conducted periodically 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.
- The Group has a VACCP approved supplier program and conducts Risk Assessments of all suppliers of raw ingredients, including authenticity testing and verification.

Market competition and NPD

Inability to deliver revenue growth due to increased market competition or insufficient new product development (NPD)

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.

Nuchev may be unable to invest in developing new products and launching these in relevant markets within the timeframe or volumes intended, impacting Nuchev's ability to generate sales and compete within existing and/or emerging market opportunities.

Management strategies

- The company's strategy includes plans to progress market diversification, innovation and NPD to deliver sustainable sales growth.
- The company uses brand tracking sales data and consumer research to develop joint category plans with key channel partners.
- Regular performance meetings are held with key channel partners and has agreements in place for sales targets, that are subject to ongoing monitoring of actual performance.
- In Q4 FY23, Nuchev entered into a strategic distribution agreement with H&S Group that will provide increased access to consumer insights and enable innovation, NPD, and sales growth in China CBEC and SE Asia.

Regulatory change

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.

Effective risk management anticipates risk, ensures strategies are developed to manage risk and enables the business to capitalise on opportunities, which is critical to sustainable growth.



Management strategies

Nuchev is a member of the Infant Nutrition Council (INC) and has an active involvement on various INC Committees role, as well as contributing to discussions concerning Food Standards Codes.

Management monitors regulatory changes that may impact the company and/or its operations in the geographies where its products are manufactured, marketed and sold. This includes remaining 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.

Brand and reputation

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:

- Product quality issues;
- A failure or delay in supplying products;
- The actions of third-party suppliers and their customers;
- A regulatory breach;
- Adverse media coverage or publicity concerning Nuchev's products or practices (whether valid or not) or changes in the public perception of goat milk products; or
- Employment practices including treatment of staff and/or significant workplace incidents.

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/or loss of market share and have a material adverse effect on Nuchev's financial and operating performance and future prospects



Management strategies

- Nuchev maintains an unwavering focus on product quality and safety across its entire supply chain.
- The business takes a responsible approach to inventory management, ensuring it retains appropriate inventory levels to meet demand in the event of temporary disruptions and has identified options for alternate supply, manufacturing and logistics suppliers as contingency measures.
- The company conducts regular research into consumer preferences and uses consumer feedback to inform its product and brand strategy. The Group monitors social media channels to ensure prompt responses to consumer comments within 24 hours and has a clear escalation process to effectively manage communications.
- The company closely monitors developments in regulatory requirements and ensures its third party suppliers maintain legal compliance with relevant regulation. The Group also has robust internal controls for brand management, packaging and labelling.
- Nuchev's policies ensure fair, ethical and equitable treatment of its employers and partners, in particular the Group's Code of Conduct, Diversity and Speak Up Policies.

Cybersecurity

Cyber related risks including network and data security loss, theft or corruption risks

Nuchev may face risks associated with network and/or system security including unauthorised access to data. The risks associated may include but are not limited to:

- network and perimeter security threats such as hacking, phishing and/or social engineering scams,
- the risk to storage and backup of sensitive data including customer data shared with 3rd parties, and
- the risk of data theft and/or unauthorised access i.e. including Nuchev's intellectual property which may be inappropriately shared with competitors.

These risks are ultimately associated with failures in securing and maintaining data and systems that may be accessed by staff and/or third parties, including third parties acting on behalf of the Company.

Nuchev stores data in its own systems and networks, and with a variety of third-party service providers. Exploitation or hacking of any of Nuchev's systems or networks could lead to corruption, theft or loss of the data which could have a material

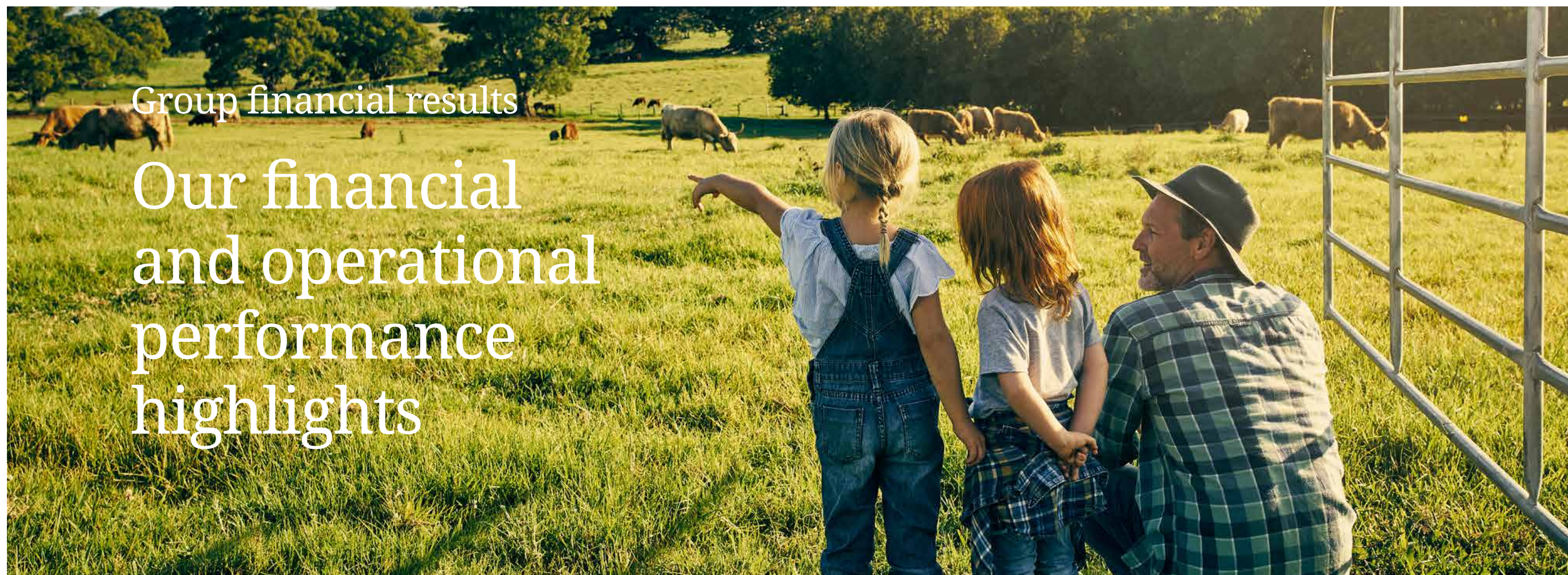
adverse effect on Nuchev's business, financial condition and results.

Further, if Nuchev's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers.

Nuchev is unaware of any hacking associated with Nuchev's data and systems, but it is possible that Nuchev may experience negative publicity if their systems are able to be hacked at some point in the future.

Management strategies

- The Group has existing cyber security systems and practices, including multi-factor authentication, restricting access to sensitive data and testing of recovery systems.
- The Group continues to monitor potential cyber security threats using cyber tracking and monitoring tools, including email filtering software.



Group financial results

Our financial and operational performance highlights

\$7.5m

Sales Revenue (excluding raw material sales)[#]

3.5%_{pcp}

\$12.8m

Net Assets

New strategic distribution agreement and capital raise provides a strong platform for growth, with disciplined working capital management delivering improved operating results in FY23.

\$2.9m

Adjusted EBITDA*
Improvement

28%_{pcp}

\$6.5m

Capital raised

[#]Oli6® sales are core business, and exclude sales of raw materials

* Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes sales of raw ingredients, product obsolescence and impairment of assets.

*The Oli6® brand grew strongly in the Australian domestic market as sales rose by 26 per cent on the previous year.**



Unlocking new opportunities for profitable, scalable growth

Solid financial and operational performance during the year reflected the ongoing strength of the Oli6® brand, our strong pricing discipline across all channels and strategic approach to CBEC channel competition and responsible inventory management.

In FY23, the Group continued to maintain a robust and flexible balance sheet, with positive working capital and net assets of \$12.8 million and no external debt. Our closing cash position was an improvement of \$2.4 million, closing the year at \$7.5 million.

Our operating loss after tax was reduced by 20 per cent. Our disciplined inventory and working capital management allowed the Group to reduce inventory holdings by 43 per cent by the year end.

Net cash used in operating activities was \$5.0 million lower pcp due to higher receipts from customers, lower investment in product manufacturing and operating costs, lower selling and marketing costs and reduced general and administration costs.

Growing market share

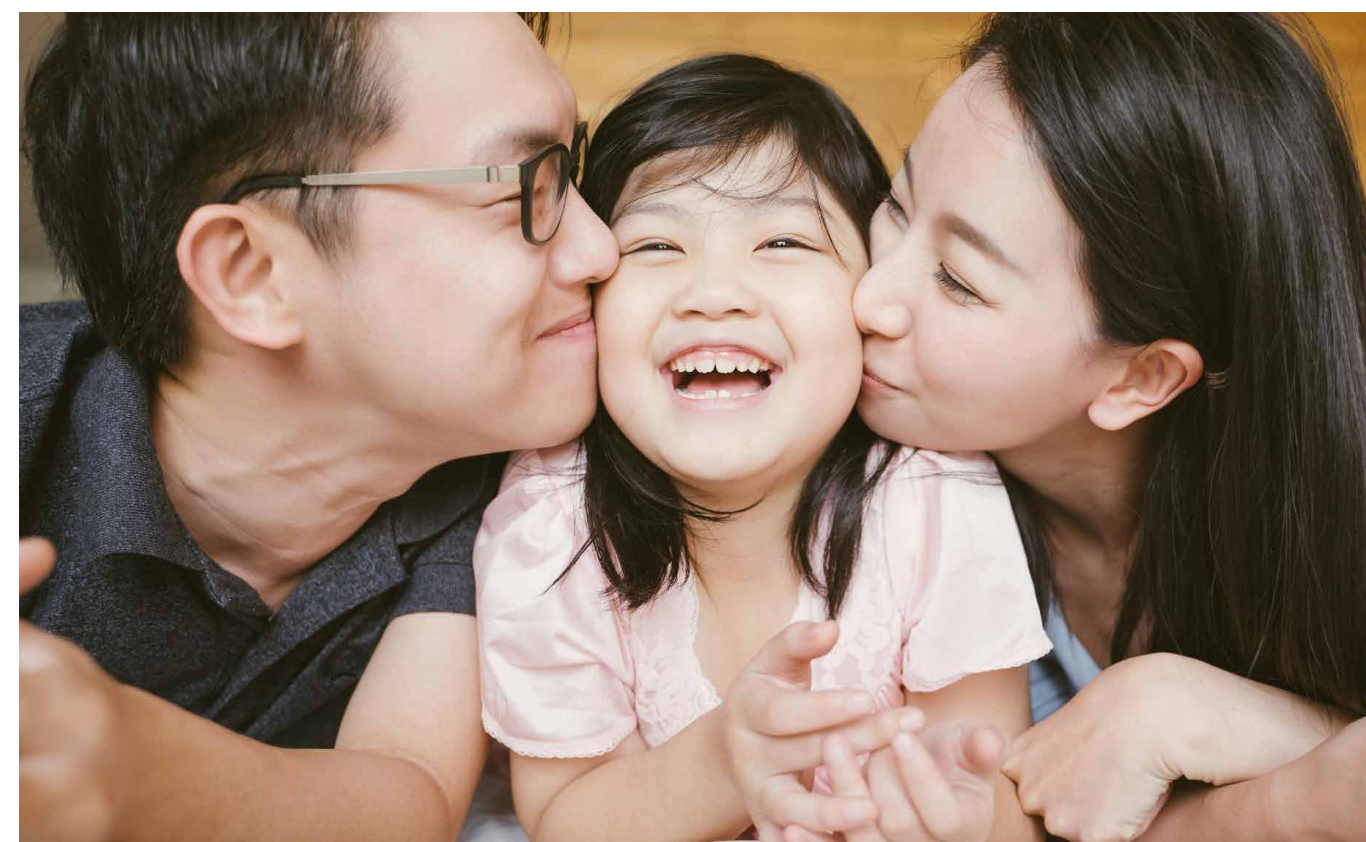
Despite challenging market conditions, the Oli6® brand grew strongly in the Australian domestic market as sales rose by 26 per cent on the previous year. Gross margins remain stable and market share grew by 9.1 percentage points pcp*.

Accelerating market access

Sales of Oli6® in China were impacted in FY23 by the transition to our new, exclusive distribution agreement with one of Australia's largest local and export wholesalers H&S Group in the second half of the financial year. The three-year agreement will drive future growth in China and Vietnam, accelerating market access through a comprehensive distribution network of over 60 online stores and e-commerce platforms in China's CBEC market.

Funding working capital

During the FY23 year, the Group successfully raised \$6.5 million from a rights issue and share placement to H&S Investments, before transaction costs associated of \$0.7 million. The capital raised will fund working capital for group activities associated with the H&S distribution agreement.



*Source: Iqvia Scan Data – Moving Annual Total ("MAT") to 30 June 2023

Foundations for change

Our impact

Our commitment to sustainability and citizenship focuses on delivering environmental and social value to our stakeholders and the world around us – our communities, our team and for our customers.

An important initiative was the implementation of Nuchev's Diversity Policy, which establishes our approach to achieving diversity and sets clear, measurable targets and strategies.

We are proud to have over 50 percent female representation across our senior management team and workforce, and to have met our workforce inclusion objective that supports a flexible working culture.

FY23 focus

PEOPLE AND COMMUNITY



- Employee assistance program with focus on health and wellness.
- Responsible sourcing across our supply chain.
- Foster a diverse and inclusive culture.
- Support for community health and wellbeing initiatives September, Movember and Oxfam.
- Learning and development focus.

ENVIRONMENT

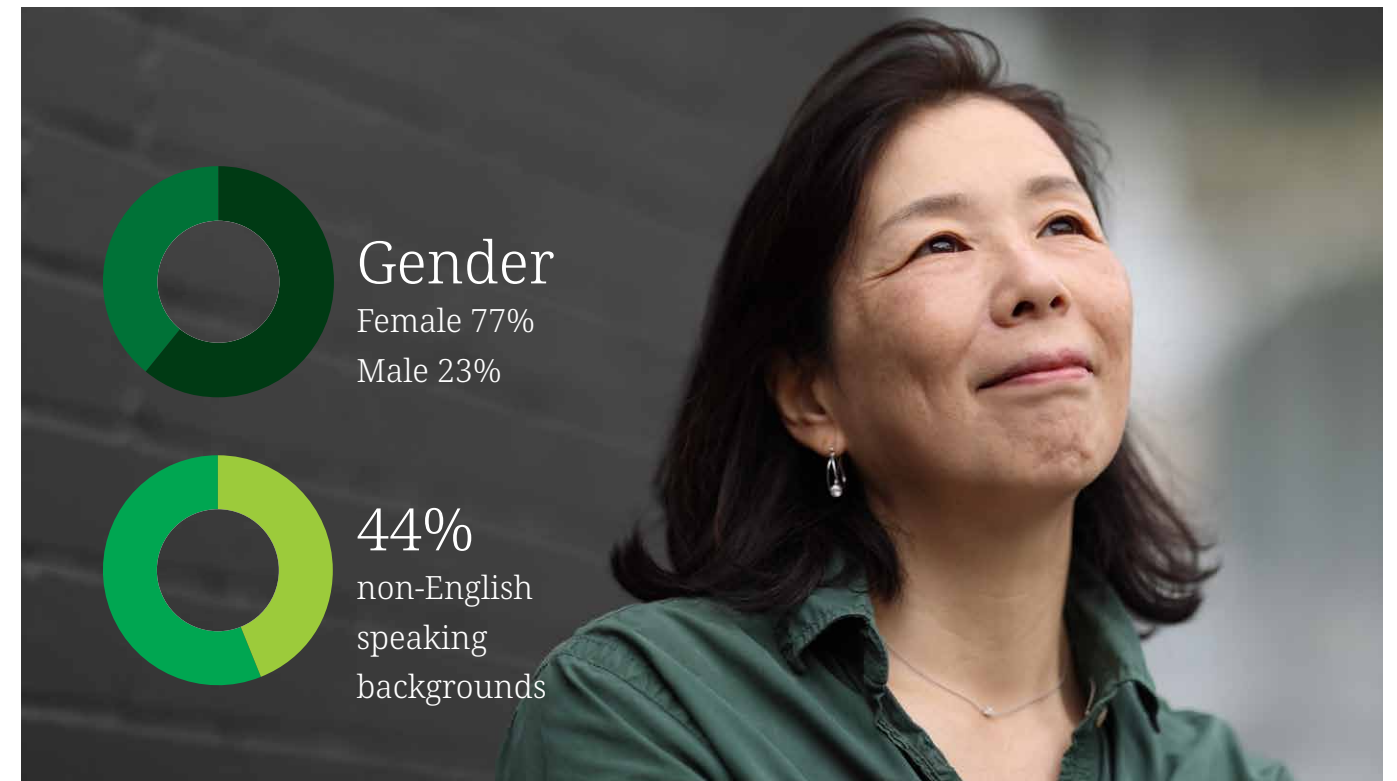
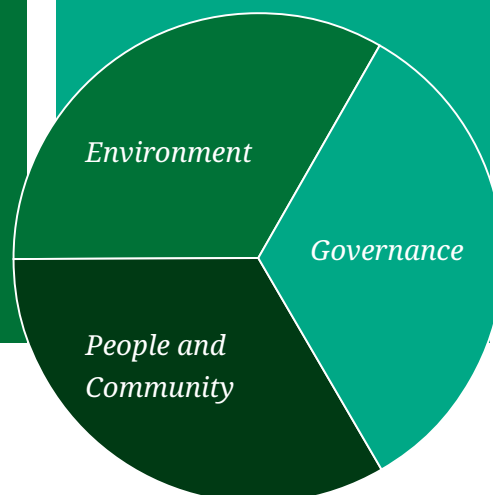


- Members of the Australian Packaging Covenant Organisation (APCO), a not for profit organisation leading the development of a circular economy for packaging in Australia.
- Nuchev's supplier manufacturing facilities operate environmental programs that monitor sustainable environmental performance in accordance with regulations.
- Regular visits to our supplier facilities to ensure compliance with regulations.

GOVERNANCE



- Board comprises independent chair and majority of independent non-executive directors.
- Established committees provide governance and oversight across People & Culture, Audit & Risk, and Strategy & M&A.
- Established risk management framework and regular reporting to the board.



We take pride in our diverse workforce that reflects the customers we serve and the communities where we work.

Building capability for growth

This year we realigned our team with a focus on building capability for international expansion and sales. We strengthened our Executive Team, welcoming new CEO Greg Kerr and Head of Sales & Business Development Scott Koetsier.

Providing flexibility and support

We place great importance on staff wellbeing and development. As the challenges of the pandemic lessened this year, we opted to continue a hybrid working environment to provide a flexible and adaptable workplace.

Staying safe and well

The safety and wellbeing of our people, partners and workplaces is one of our highest priorities. We maintain a strong focus on the wellbeing of our staff and work closely with our supply chain partners to actively support a safe work environment and adherence to all workplace health and safety laws and codes of practice.



Leadership

Board and executive team

Board of Directors

Justin Breheny



Chair and Non-Executive Director

Justin joined Nuchev as the Chair and a non-executive director in September 2016.

Justin's career has encompassed senior executive roles at Insurance Australia Group Ltd (IAG) and ANZ Banking Group Ltd (ANZ), spanning over 22 years. He has worked in the management and acquisition of banking and general insurance enterprises across nine Asian countries.

Justin's tenure at IAG included roles as the Group Chief Risk Officer and Chief Executive Officer Asia. At ANZ, he was General Manager Asia, as well as holding executive roles in Malaysia, China, Singapore, and Indonesia.

Throughout his career, Justin has gained extensive experience managing and growing complex businesses, 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 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 Breheny Bros Breweries Pty Ltd since February 2021.

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

Nil

Special responsibilities

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

Ben Dingle



Founder and Non-Executive Director

Ben founded Nuchev and was CEO between 2013 and October 2022.

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

He has extensive commercial experience in the wider dairy nutritional sector, having co-founded New Zealand's Synlait Group in 1999, and later played a pivotal role in steering the successful IPO of Synlait Milk in 2013.

Ben was also instrumental in the creation and management of a portfolio encompassing expansive dairy operations on the Canterbury Plains, which included approximately 15,000 cows. In this role, he established and implemented innovative irrigation schemes, and the incorporation of world best farming practices. Before co-founding Synlait Milk, Ben owned and managed a portfolio of dairy operations in the Waikato region.

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

Special responsibilities

Ben was a member and Chair of the Group's Strategy and M&A Committee.

Selina Lightfoot



Non-Executive Director

Selina joined Nuchev as a non-executive director in September 2016.

An experienced company director, Selina 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.

Selina has a Bachelor of Arts/Law from the University of Tasmania, 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. On 1 July 2023, Selina was appointed as a non-executive director of the Tasmanian Development Board.

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

Previous non-executive director roles with ASX listed companies include The Reject Shop Limited and DWS Limited, as well as with the Queen Elizabeth Centre, a public hospital providing early parenting services.

Special responsibilities

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

Michelle Terry



Non-Executive Director

Michelle has been a director of Nuchev since December 2016.

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

An experienced executive leader of ASX 50 companies, Michelle 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 was the Global Chief Marketing Officer of Treasury Wine Estates (TWE), based in San Francisco. Prior to this, Michelle was TWE's Regional Marketing Director for Asia, EMEA and Latin America, and was part of the Asian leadership team that propelled the company from the number nine wine importer to the number one wine importer in China. Michelle was also Global Marketing Director for Penfolds, where she developed and executed the strategy that drove a significant increase in earnings growth and brand recognition.

Michelle has 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 & 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 that specialises in commercial, corporate, dispute resolution and commercial litigation, employment, family and estate law.

Prior to his legal career, Jeff spent 25 years 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 such as the Australian Dairy Industry Council and the Latrobe University Regional Advisory Board.

Jeff has 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 was also a member of the Group's Strategy and M&A Committee.

Executive Leadership Team

Greg Kerr

Chief Executive Officer



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

Greg has led multiple consumer-branded

organisations over the last 20 years, working across Corporate and Private Equity environments in roles as Managing Director of Adidas ANZ, Managing Director of Marlin Brands and Chief Executive Officer of 2XU. Greg has experience in leading teams to deliver results, building brands leveraging consumer insights, and creating compelling visions and strategies.

Prior to joining Nuchev, Greg was interim Chief Executive Officer at the South Metropolitan Cemeteries Trust. He has successfully led start-up, transformational and turnaround agendas all requiring a unique strategic focus depending on the situation.

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 Interim Chief Financial Officer in March 2022 and was appointed the permanent position on 30 May 2022.

With a career spanning over 30 years working with publicly listed and private companies, Mick is a highly experienced finance executive. Prior to joining Nuchev, Mick was the Group Chief Financial Officer of Simonds Group Limited and has also held finance executive and CFO roles with Toll Group, MMG Limited, Oz Minerals Limited, and Zinifex Limited. Before joining the corporate sector, Mick worked across audit, forensic and enterprise risk services roles in an 18-year career with Deloitte.

Mick has strong leadership skills and is adept in driving high performing teams and delivering real benefits to the business. Central to his achievements has been his proactive approach to stakeholder engagement, commercial business acumen and financial expertise. These skills were developed through his many leadership roles across finance, shared business services, business transformation and integration, audit, forensic, accounting and enterprise risk services.

Mick is a Chartered Accountant and has a post graduate Diploma in Accounting from Swinburne University of Technology and a Bachelor of Business Studies from Monash University. Mick is a Graduate of the Financial Executives Institute of Australia and is also a member of the Australian Institute of Company Directors.

Scott Koetsier

Head of Sales and Business Development



Scott joined Nuchev in February 2023, bringing with him a background deeply rooted in the FMCG sector.

Forging his career in the Australian market with Frucor Suntory working across several roles and sales channels where he developed a strong customer understanding, while continuing to develop his skills as an expert negotiator.

From here he broadened his knowledge to manage Carman's total international business across several functions. Under his leadership, Carman's international business doubled its size over a short period through crafting a growth strategy that was aligned with the intricacies of local consumer demands.

His subsequent venture as the Head of New Zealand Natural Ice Cream saw him championing the company's evolution from a factory-centric approach to a consumer-centric one. This transition was marked by considerable achievements: a considerable boost in EBITDA, expansion of sales and distribution in Grocery and Food Service, and new introductions into notable retail giants like Woolworths Australia, AEON Japan, Singapore Zoo, Centre Group Thailand, and Starbucks China.

Scott has a proven track record in overachieving against budgets and prides himself on developing people through the right behaviours.

Scott holds a Diploma in Business (Marketing) from Swinburne University of Technology.

Matt Scarboro

General Manager, Supply Chain



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

In this role, Matt has responsibility for a number of areas

including Quality Assurance, Food Safety and Supply Chain Management.

Matt has worked in the nutritionals and infant formula industry for over ten years, both in Australia and Singapore. His roles included operations management and major project management at Mead Johnson Nutrition, with a focus on risk management and mitigation tactics. Matt also has experience in the dairy industry, producing milk powders and whey derivatives, which are the ingredients for infant formula.

He also spent 10 years with CSR / Sugar Australia in a variety of operational, technical and project roles.

Matt holds a Master of Business Administration (Technology Management) from Deakin University and a Bachelor of Engineering from the University of Newcastle.

Financial report

for year ended 30 June 2023



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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 2023.

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 Chair
Mr Ben Dingle	09/04/2013	Non-Executive 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

Former Directors

Name	Date Appointed	Date Resigned	Position
Mr Owens Chan	24/09/2020	27/01/2023	Independent Non-Executive Director

The particulars of the directors are as follows:

Name	Experience and Directorships
Mr Justin Breheny	- 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 and growing complex businesses, 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. Justin was also a member of the Group's Strategy & M&A Committee.

Name	Experience and Directorships
Mr Ben Dingle	- Ben is the founder and held the position of Chief Executive Officer (CEO) from listing the Company until 14th October 2022. Ben remained an Executive Director until 30 November 2022, to support the transition following the appointment of Greg Kerr as CEO on 14th October 2022, following which he became a Non-Executive Director. - Ben brings significant commercial experience from the wider dairy nutritional sector as cofounder 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. - Ben was also the Chair of the Group's Strategy & M&A Committee.
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. On 1st July 2023, Selina was appointed as a non-executive director of the Tasmanian Development Board. - 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. Selina was also a member of the Group's 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 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). - Jeff is a member of the Group's Audit & Risk Committee. Jeff was also a member of the Group's Strategy & M&A Committee.
Ms Michelle Terry	- 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.

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	937,008	Nil
Mr Ben Dingle	32,084,449	1,646,090
Ms Selina Lightfoot	148,787	Nil
Mr Jeffrey Martin	89,144	Nil
Ms Michelle Terry	44,572	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 20 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 functional foods business built on the purpose of *Functional Foods for a Better Life*.

Nuchev's products are branded under the Oli6® name and are sold in key Australian Pharmacy and Grocery channels as well as in China, predominantly through online channels. The Group is pursuing expansion into other markets, including Vietnam and South-East Asia.

Nuchev is committed to sourcing world-class ingredients and manufacturing under industry leading Australian manufacturing facilities that ensure the best possible products for our consumers.

Operating and financial review

The loss of the consolidated group for the financial year ended 30 June 2023 after providing for income tax was \$8,806,694 (2022: loss of \$11,108,449). The Group's net cash position for the financial year ended 30 June 2023 was \$7,478,612 (2022: \$5,112,514), and the Group's committed financing facilities remain undrawn.

The operating loss reflects the challenges associated within the Australian and Chinese markets, as well as the Group's continued investment in growing sales across multiple channels in Australia and China, requiring marketing and channel support.

Sales revenue for the sale of Oli6® totalled \$7,505,812 the year ended 30 June 2023, up 3.5% on the prior comparative period of \$7,249,621. Total sales of Oli6® and raw material ingredients for the year ended 30 June 2023 was \$8,791,601 (2022: \$9,723,809), a decrease of 10% on the previous corresponding period. Whilst market conditions remained challenging during the period, the Oli6® brand continues to grow strongly in the Australian domestic market with Oli6® sales of \$5,589,474, up \$1,154,121, or 26% on the prior corresponding period. Sales of Oli6® in China were \$1,916,338 (2022: \$2,827,872), impacted by the changeover from previous distribution arrangements to the new, exclusive distribution agreement with H&S Group in the second half of the financial year.

During the year the Group successfully negotiated a new strategic Distribution Agreement with H&S Group¹. Over 14 years since 2009, H&S has built a comprehensive distribution network, with over 60 online stores and supplying tier 1, 2 and 3 e-commerce platforms in China's Cross Border e-Commerce ("CBEC"), H&S Group has become one of Australia's largest local and export wholesalers for infant formula, vitamins and supplements, skincare and personal care into China, Hong Kong, Macau, Vietnam and South-East Asia (SEA). The agreement with H&S Group is for an initial 3-year period commencing 1 July 2023, and will serve as a platform for future growth in China and South-East Asia.

During the year the Group raised \$6,529,307 from a 1 for 2.59 pro-rata, non-renounceable entitlement offer ("Entitlement Offer") to existing shareholders and share placement ("Placement") to H&S Investments, before transaction costs associated of \$702,543. The capital raised will fund working capital including, as required, and for group activities associated with the H&S Distribution Agreement as noted above.

Based on the Group's customer location, total Australian sales during the year accounted for 78% (2022: 71%), and China 22% (2022: 29%) of total sales revenue.

Gross Margins from Oli6® sales² remain in line with prior periods, demonstrating the strength of the Oli6® brand, and our strong pricing discipline across all channels. It also evidences our strategic approach to CBEC (China Cross-border E-commerce Regulation) channel competition and responsible inventory management with distributorship changes.

Balance sheet

The net assets of the Group decreased from \$15,827,793 at 30 June 2022 to a net asset position of \$12,818,210 at 30 June 2023. At 30 June 2023 the Group has net working capital surplus of \$12,406,924 (2022: \$14,825,254), with current assets significantly exceeding current liabilities.

As noted above, the Entitlement Offer and Placement resulted in 32,646,537 new shares issued at \$0.20 per share, raising a total of \$6,529,307, before transaction costs incurred totalling \$702,543.

Operating cash flows

The Group's net cash flows used in operating activities of \$3,256,929 were significantly less than for the previous financial year (2022: \$8,300,310), with disciplined cost control measures implemented to preserve cash. Management have continued to maintain strong focus on achieving improved ROI and reducing expenditure on selling and marketing.

The closing cash position at 30 June 2023 was \$7,478,612 (2022: \$5,112,514). Net cash raised from the non-renounceable entitlement offer and the placement to H&S Investments raised \$6,529,307 before transaction costs paid prior to the end of the financial year of \$599,293.

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 2023 and was approved by the board on 29 August 2023. 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 reported.

Dividends paid or recommended

No dividends were paid, declared, or recommended.

Share Options/Rights

As at the date of this report, there were 4,526,543 unissued ordinary shares under options/rights (4,526,543 at the reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel ("KMP").

During the financial year, and as part of the Distribution Agreement with H&S Group, 19,448,681 Performance Options were issued to H&S Group to subscribe for ordinary shares in three tranches (one per year), subject to the satisfaction of annual sales performance targets for the three years ending 30 June 2026. These options could result in a total potential ownership by H&S of up to 34.9% of the Issued Capital of the Company. If exercised in full by H&S Group, the Company will receive up to \$6.0 million of proceeds, providing further funding of working capital and financial flexibility.

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.

¹ H&S Group is comprised of H&S International (Aust) Pty Ltd ACN 621 762 285 (H&S International) and H&S Investments Australia Pty Ltd ACN 643 475 601 as trustee for the H&S Investment Unit Trust ABN 62 122 826 764 (H&S Investments) (collectively H&S Group).

² Based on total sales revenue, normalised to exclude sales of raw material ingredients and provision for stock obsolescence.

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 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
Number of meetings held	16	8	5	5
Number attended by Directors				
Justin Breheny	16	7	5	5
Ben Dingle	15	N/A	N/A	3
Selina Lightfoot	15	8	5	5
Jeffrey Martin	14	8	N/A	5
Michelle Terry	15	N/A	5	N/A
Owens Chan	9*	N/A	N/A	N/A

* Owens Chan resigned as a director on 27th January 2023, attending all directors' meetings held up until that date.

Committee membership

As at the date of this report, the Group had an Audit & Risk Committee and a People & Culture Committee. During the financial year, the Group established a Strategy & M&A Committee, which concluded on 30 June 2023. 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)	B Dingle (Chair)
J Breheny	J Breheny	J Breheny [#]
J Martin	S Lightfoot	S Lightfoot
		J Martin

[#] J Breheny chaired two of the Strategy & M&A Committee meetings, prior to transitioning the role of Chair to B Dingle.

Non-audit services

There have been no non-audit services provided during the period by the entity's auditor, Ernst & Young Australia.

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 2023 has been received and can be found on page 55.

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 2023

Remuneration Report (Audited)

Contents

1.	Remuneration report overview
2.	Overview of executive remuneration
3.	Elements of remuneration
4.	Performance and executive remuneration outcomes in FY23
5.	How remuneration is governed
6.	Statutory and share based reporting

1. Remuneration report overview

The Directors of Nucheve Limited present the Remuneration Report (the “Report”) for the Group and its controlled entities for the year ended 30 June 2023. 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 Nucheve’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 FY23:

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
Ben Dingle ¹	Non-Executive Director	Full financial year
Owens Chan ²	Non-Executive Director	Period to 27 January 2023
Senior Executives		
Greg Kerr ³	Chief Executive Officer (CEO)	Period from 14 October 2022
Mick Myers	Chief Financial Officer (CFO)	Full financial year

1 Ben Dingle held the position of Chief Executive Officer (CEO) and Managing Director up to 14th October 2022. Ben remained an Executive Director until 30 November 2022, to support the transition following the appointment of Greg Kerr as CEO on 14th October 2022, following which he became a Non-Executive Director.

2 Owens Chan resigned as a director on 27th January 2023.

3 On 14th October 2022 the Company announced the appointment of Greg Kerr as Chief Executive Officer.

2. Overview of executive remuneration

2.1 Principles used in determining remuneration

The guiding principles for the Nucheve 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 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.

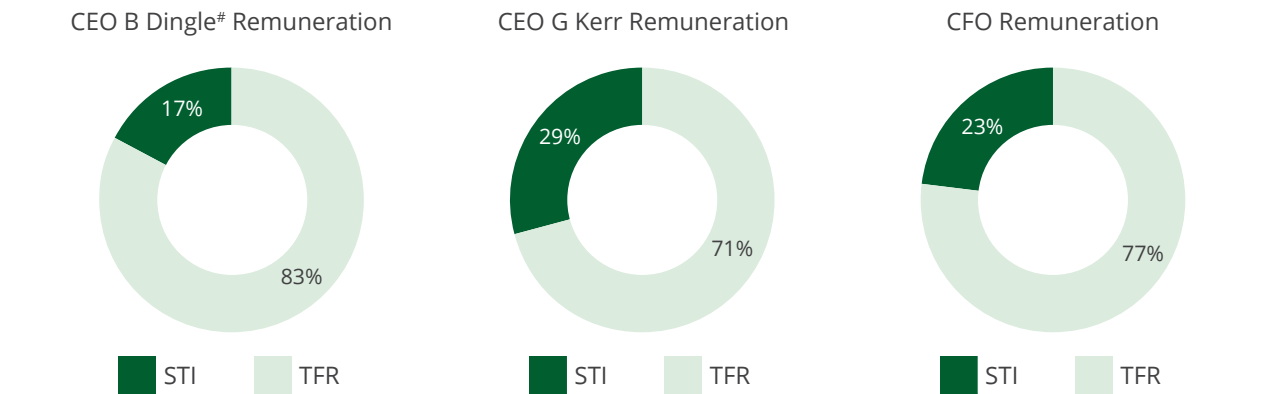
The PCC aims to ensure that Nucheve’s remuneration policies:

- 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 Nucheve 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 Nucheve.

2.3 Remuneration mix

Remuneration mix refers to the proportion of total remuneration, as described in section 3 below, that is made up of each remuneration component. The following diagrams set out the remuneration mix for each Executive KMP at the maximum remuneration level, being the amount that would be paid for delivering stretch performance. Remuneration mix is presented based on contractual remuneration packages rather than actual remuneration received during the year.



The amounts reflected in the above illustration are based on Ben Dingle’s remuneration as CEO from the beginning of the financial year until his transition to Non-Executive Director on 30th November 2022, following the appointment of Greg Kerr as CEO on 14th October 2022.

3. Elements of remuneration

3.1 Total fixed remuneration (“TFR”)

KMP may receive their TFR as cash and superannuation. TFR is reviewed annually, or on promotion and 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 rewards high performance over the financial year. STI objectives are approved by the board and are calculated usually as a fixed percentage of TFR. Details of the STI incentives offered to the CEO and CFO are detailed in section 5.4 below.

The board has discretion to adjust STI 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 chosen to reflect the core drivers of short-term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and customers.

Nuchev measures key performance indicators (“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 FY23 were measured by comparing the actual result achieved to the threshold, target and stretch targets set for revenue and earnings before interest, tax, depreciation and amortisation (“EBITDA”).

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
Ben Dingle	Revenue – 25% Cash - 25%	Strategic Milestones – 25% Operational Milestones – 25%	• 20% of TFR is target • Up to maximum of 30% of TFR
Greg Kerr	Revenue – 15% Cash - 35%	Strategic Milestones – 35% Operational Milestones – 15%	• 40% of TFR is target • Up to maximum of 60% of TFR
Mick Myers	Revenue – 25% Cash - 25%	Strategic Milestones – 30% Operational Milestones – 10% Financial Objectives – 10%	• 30% of TFR is target • Up to maximum of 45% of TFR

The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the CEO (and in the case of the CEO, by the board).

The board approves the final STI award based on this assessment of performance. The bonus payment is settled in cash and paid at the end of September, following the end of the performance period.

If an executive is terminated for cause before the end of the financial year, no STI is awarded for that year. If an executive resigns, any STIs will be forfeited. 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.

It should be noted that in accordance with the terms of his transition from CEO and Managing Director to Non-Executive Director, Ben Dingle did not receive an STI payment for FY23.

3.3 Equity Incentive Plan (EIP) Rights

Retention awards were made to Mick Myers, CFO, on 17th June 2022 and to Greg Kerr, CEO, on 14th October 2022. The retention awards were in the form of Rights issued under the Company's Equity Incentive Plan (“EIP”). These retention awards comprised Rights to the value of \$73,333 and \$193,548, respectively, vesting over three year and two year periods, respectively, subject to the board being satisfied with the performance of their duties and responsibilities from the grant date to the vesting dates and the key terms of the award being met, which includes the employee remains employed at the vesting date.

4. Performance and executive remuneration outcomes in FY23

4.1 Performance against STI measures

Taking into account the Company's performance and delivery of objectives for FY23, the board’s assessment of the performance of the CEO and CFO against their STI objectives were as follows:

CEO (14 October 2022 onwards): Greg Kerr¹

Performance area		Total award available	% Award achieved (after weighting)	Achievements during the year
Financial Measures	Revenue	15%	0%	Revenue target not achieved
	Cash Position	35%	70%	Cash target achieved
Personal Measures	Cost Reduction Program	15%	30%	Cost reduction and efficiencies achieved
	H&S Capital Investment agreement and distribution arrangement in place	35%	70%	Strategic agreement with H&S achieved which resulted in capital investment into the Group and new distribution arrangements
Total		100%	150%	Capped at 150% per STI Policy

1 Pro rata for the period from his appointment until the end of the financial year.

CFO: Mick Myers

Performance area		Total award available	% Award achieved (after weighting)	Achievements during the year
Financial Measures	Revenue	25%	0%	Revenue target not achieved
	Cash	25%	12.5%	Cost reduction and efficiencies achieved
Personal Measures	Strategic Objectives	30%	60%	Strategic agreement with H&S achieved which resulted in capital investment into the Group
	Operational Objectives	20%	15%	Closing cash position meets requirements
Total		100%	87.5%	

4.2 Performance against Long Term Incentive (LTI) measures

Award	Vesting condition	Expected vesting outcome
FY21 Award (applicable to Ben Dingle only) Exercise price \$2.55	Relative TSR against 40 (approx.) companies in the consumer staples and healthcare GICs Revenue CAGR target circa 37% based on FY20 revenue 3 year performance period ending 30 June 2023	Did not vest
FY22 Award (applicable for Ben Dingle only) Exercise price \$0.5217	Positive net operating cash flow 3 year performance period ending 30 June 2024	Vesting outcome to be confirmed at end of period

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.

	2023	2022	2021	2020	2019
Profit/(Loss) for the year attributable to owners of the Group	(8,806,694)	(11,108,449)	(13,268,540)	(10,902,865)	(13,499,836)
Revenue ¹	8,791,601	9,723,809	10,899,342	17,763,252	9,499,278
Revenue growth ² (10%)	(10%)	(11%)	(39%)	88%	175%
Adjusted EBITDA ³ (7,364,433)	(7,364,433)	(10,248,795)	(10,771,846)	(9,805,439)	(9,191,900)
Share price	\$0.185	\$0.19	\$0.51	\$2.26	N/A
Dividends	N/A	N/A	N/A	N/A	N/A

1 Revenue from the sale of Oli6® branded products, excluding the sales of raw ingredients, was \$7,505,812 in FY23 and \$7,249,621 for FY22.

2 Revenue growth for Oli6® branded products, excluding the sales of raw ingredients, was 3.5% in FY23 and (29%) in FY22.

3 Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes sale of raw ingredients, product obsolescence and impairment of assets.

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 FY23, 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 that includes KMP. The Committee was satisfied the advice received was 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 Securities trading policy

The Group has implemented the Securities Dealing Policy which applies to all employees and nominated contractors, Directors and Officers (together "Employees"). The policy prohibits Employees from dealing in Nuclech Limited securities while in possession of material non-public information relevant to the Group. This also includes designated "black-out" periods during which Employees cannot trade in the Group's securities.

Employees are prohibited from entering 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 key terms within the contracts for the KMP executives are outlined as below.

Component	Ben Dingle - CEO (to 14 October 2022) & Executive Director (to 30 November 2022)
Total fixed remuneration	\$403,653
Contract duration	Contract completed 30 th November 2022
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	Greg Kerr - CEO (Commenced 14 October 2022)
Total fixed remuneration	\$442,000
Contract duration	Ongoing
Notice by the individual/Group	6 months'
Termination of employment (without cause)	- Entitlement to STI at the discretion of the board - Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing - The board has discretion to award a greater or lower amount
Termination of employment (with cause) or by resignation of the individual	- STI is not awarded, and all unvested LTI will lapse - Vested and unexercised LTI can be exercised in accordance with the Securities Dealing Policy

Component	Mick Myers - CFO
Total fixed remuneration	\$350,000
Contract duration	Ongoing
Notice by the individual/Group	3 months'
Termination of employment (without cause)	- Entitlement to STI at the discretion of the board - Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing - The board has discretion to award a greater or lower amount
Termination of employment (with cause) or by 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

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 chair 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.

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

The table below summarises board and committee chair fees payable to NEDs for FY23 (inclusive of superannuation):

Board Fees (including Superannuation)	
Chair	\$111,005
NED ¹	\$60,548
Committee Fees (including Superannuation)	
Audit & Risk Committee Chair	\$10,091
People & Culture Chair	\$10,091

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. Ben Dingle's remuneration as a non-executive director from 1 December 2022 was \$110,000 excluding superannuation, which reflected his ongoing involvement in completion of certain corporate projects and as Chair, Strategy & M&A Committee.

6. Statutory and share-based reporting

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

		Fixed 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 Payments		
J Breheny	2023	100,457	-	-	10,548	-	-	-	111,005	0%
	2022	100,457	-	-	10,046	-	-	-	110,503	0%
B Dingle ²	2023	220,362	(28,395)	840	17,849	-	-	(76,598)	134,058	-57%
	2022	378,259	14,014	840	23,568	-	-	184,096	600,777	31%
J Martin	2023	54,795	-	-	5,753	-	-	-	60,548	0%
	2022	54,795	-	-	5,479	-	-	-	60,274	0%
S Lightfoot	2023	63,927	-	-	6,712	-	-	-	70,639	0%
	2022	63,927	-	-	6,393	-	-	-	70,320	0%
M Terry	2023	63,927	-	-	6,712	-	-	-	70,639	0%
	2022	63,927	-	-	6,393	-	-	-	70,320	0%
O Chan ³	2023	35,000	-	-	-	-	-	-	35,000	0%
	2022	60,000	-	-	-	-	-	-	60,000	0%
C Pritchard ⁴	2023	-	-	-	-	-	-	-	-	0%
	2022	266,372	24,031	-	17,806	-	-	(29,891)	230,256	-13%
G Kerr ⁵	2023	298,162	8,783	-	16,862	-	171,493	72,581	567,880	30%
	2022	-	-	-	-	-	-	-	-	-
M Myers ⁶	2023	333,221	14,583	-	20,464	-	85,688	26,481	480,437	18%
	2022	110,676	-	-	1,964	-	-	-	112,640	0%
Totals	2023	1,169,851	(5,029)	840	84,900	-	257,181	22,464	1,530,206	12%
	2022	1,098,413	(10,017)	840	71,649	-	-	154,205	1,315,090	12%

1 Non-monetary benefits include mobile phone allowance.

2 B Dingle was CEO & Managing Director until 14 October 2022 (Executive Director until 30th November 2022), and Non-Executive Director from 1 December 2022. O Chan resigned 27 January 2023.

3 O Chan resigned 27 January 2023.

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

5 G Kerr remuneration as CEO is from the period 14 October 2022 to 30 June 2023.

6 M Myers remuneration from the period 27 March 2022 to 30 June 2022 included payments made to third parties for the period to 30 May 2022, and as an employee from 30 May 2022.

6 (continued)

The following table outlines the proportion of maximum STI earned in relation to the FY23 financial year:

Executive	STI bonus [#]		
	Total Opportunity	Awarded %	Forfeited %
Ben Dingle ¹	\$80,731	0%	100%
Greg Kerr ²	\$132,600	150%	0%
Mick Myers	\$105,000	87.5%	12.5%

1 Ben Dingle held the position of Chief Executive Officer (CEO) from listing the Company up to 14th October 2022. Ben remained an Executive Director until 30 November 2022, to support the transition following the appointment of Greg Kerr as CEO on 14th October 2022, following which he became a Non-Executive Director. It should be noted that in accordance with the terms of his resignation and transition from CEO and Managing Director to Non-Executive Director, Ben Dingle did not receive an STI payment for FY23.

2 Greg Kerr was appointed and commenced as Chief Executive Officer on 14th October 2022.

[#] STI Bonuses are inclusive of superannuation.

6.1 Rights and/or 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.

KMP	Scheme	Award date	Vesting date	Expiry date	Fair value per Rights at award date \$	Exercise price per Rights	No. Rights award during the year	No. vested during year	No. lapsed/ forfeited during year	Value of Rights granted during this year	Value of Rights forfeited during this year	Value of Rights exercised during the year
B Dingle	FY20 LTI	9/12/2019	30/06/2022	9/12/2024	\$0.65	\$2.60	-	410,887	-	-	-	-
	FY21 LTI	26/11/2020	31/08/2023	25/11/2025	\$0.41	\$2.55	-	-	558,660	-	\$234,637	-
M Myers	EIP Rights	17/06/2022	31/05/2025	31/05/2025	\$0.22	-	333,333	-	-	\$73,333	-	-
G Kerr	EIP Rights	14/10/2022	14/10/2024	14/10/2024	\$0.24	-	806,452	-	-	\$193,548	-	-

EIP Rights awarded to M Myers and G Kerr as outlined in section 3.3 above. There were no alterations to the terms and conditions of Rights or Options awarded as remuneration since their award date.

6.2 Option and rights holdings of KMP

The number of Options and Rights over ordinary shares in the Group provided as remuneration to key management personnel is shown below. The Options and Rights carry no dividend or voting rights. Refer to section 3 above for the conditions that must be satisfied for the Options and Rights to vest.

KMP	Rights/ Options	Balance as at 1 July 2022	Granted as remuneration	Options exercised	Options lapsed	Balance unvested as at 30 June 2023	Vested and exercisable	Vested but not exercisable
B Dingle	Options	2,615,637	-	-	(558,660)	1,646,090	410,887	-
M Myers	Rights	-	333,333	-	-	333,333	-	-
G Kerr	Rights	-	806,452	-	-	806,452	-	-
		2,615,637	1,139,785	-	(558,660)	2,785,875	410,887	-

6.3 Shareholdings of KMP*

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

KMP	Balance as at 1 July 2022	Received during year on exercise of options	Purchase of shares	Sale of shares	Other	Balance as at 30 June 2023
J Breheny	676,002	-	261,006	-	-	937,008
B Dingle	23,147,277	-	8,937,172	-	-	32,084,449
S Lightfoot	126,287	-	22,500	-	-	148,787
J Martin	89,144	-	-	-	-	89,144
M Terry	44,572	-	-	-	-	44,572
O Chan ¹	-	-	-	-	-	-
M Myers	-	-	-	-	-	-
G Kerr	-	-	-	-	-	-
Totals	24,083,282	-	9,220,678	-	-	33,303,960

1 O Chan resigned as a director on 27th January 2023.

[#] 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.

* Includes 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 FY23 and there are no outstanding balances, whether assets or liabilities as at the 30 June 2023.

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

During the year to 30 June 2023, the Group held a loan facility ('Loan Facility') with the Whiti Trust, a related party of B Dingle, Non-Executive Director.

On 15th May 2023, the Group and the Whiti Trust ('the parties') entered into a Deed of Termination and Release regarding the Loan Facility, whereby the parties proposed to terminate the Loan Facility on the satisfaction of two conditions precedent. Firstly, that the Whiti Trust and Ben Dingle participate in the Company's entitlement offer announced on 15 May 2023, and secondly, that the Whiti Trust and Ben Dingle transfer the relevant funds to be held on trust pending settlement of the entitlement offer. These conditions were satisfied and, on the date of settlement of the entitlement offer on 27th June 2023, the Loan Facility was terminated.

Fees and interest related to the facility of \$68,994 payable to Mr Dingle at 30 June 2023 were paid subsequent to the year end.

All non-executive directors are paid quarterly in arrears. As a result, an amount of \$98,466 relating to salary and superannuation costs was outstanding as at 30 June 2023.

There have been no other transactions with KMP or directors during FY23, and there are no additional outstanding balances, whether assets or liabilities as at 30 June 2023.

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 2023

Auditor's Independence Declaration



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working world

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Auditor's independence declaration to the directors of Nuchev Limited and its controlled entities

As lead auditor for the audit of the financial report of Nuchev Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young



Katie Struthers
Partner
31 August 2023

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Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June

	Notes	2023 \$	2022 \$
Revenue from contracts with customers	5	8,791,601	9,723,809
Cost of sales	8.3	(6,890,594)	(6,898,977)
Distribution, warehouse, and logistics expenses		(655,345)	(916,070)
Marketing and selling expenses		(2,409,590)	(4,596,662)
Employment expenses	8.4	(3,949,557)	(3,701,611)
General and administration expenses		(3,090,157)	(3,857,995)
Depreciation and amortisation		(194,608)	(198,904)
Impairment	8.3	(553,435)	(739,401)
Other income	8.1	213,262	96,935
Operating (loss)		(8,738,423)	(11,088,876)
Finance income	8.2	15,534	12,526
Finance costs	8.2	(83,805)	(32,099)
(Loss) before tax		(8,806,694)	(11,108,449)
Income tax benefit		-	-
(Loss) for the year		(8,806,694)	(11,108,449)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(8,806,694)	(11,108,449)
Loss per share			
Basic (loss) per share	10	(0.17)	(0.21)
Diluted (loss) per share	10	(0.17)	(0.21)

Consolidated Statement of Financial Position

as at 30 June

	Notes	2023 \$	2022 \$
Assets			
Current assets			
Cash and short-term deposits	13	7,478,612	5,112,514
Trade and other receivables	14	666,156	1,655,558
Prepayments	15	1,118,361	516,976
Inventories	16	5,309,835	9,354,582
Other assets	17	22,649	22,570
		14,595,613	16,662,200
Non-current assets			
Property, plant and equipment	18	62,729	28,418
Intangible assets	19	-	508,646
Right-of-use assets	24	284,849	102,314
Other financial assets	20	304,955	379,081
Other assets	17	76,454	66,809
		728,987	1,085,268
Total assets		15,324,600	17,747,468
Liabilities			
Current liabilities			
Trade and other payables	21	1,958,117	1,502,710
Provisions	23	170,313	164,484
Lease liabilities	24	47,543	154,124
Other liabilities	25	12,717	15,628
		2,188,690	1,836,946
Non-current liabilities			
Provisions	23	81,098	82,729
Lease liabilities	24	236,602	-
		317,700	82,729
Total liabilities		2,506,390	1,919,675
Net assets		12,818,210	15,827,793
Equity			
Issued capital	26	101,863,550	96,036,786
Other capital reserves	27	1,885,804	1,915,457
Accumulated (losses)		(90,931,144)	(82,124,450)
Total equity		12,818,210	15,827,793

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 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)	15,827,793
As at 1 July 2022		96,036,786	1,915,457	(82,124,450)	15,827,793
(Loss) for the year		-	-	(8,806,694)	(8,806,694)
Issue of share capital	26	6,529,307	-	-	6,529,307
Transaction costs on issue of share capital	26	(702,543)	-	-	(702,543)
Other capital reserves	27	-	(29,653)	-	(29,653)
At 30 June 2023		101,863,550	1,885,804	(90,931,144)	12,818,210

Consolidated Statement of Cash Flows

for the year ended 30 June

	Notes	2023 \$	2022 \$
Operating activities			
Receipts from customers		9,753,892	9,141,428
Payments to suppliers and employees		(13,092,179)	(17,474,802)
Interest received		15,534	32,493
Interest paid		(10,354)	(94,279)
Government grants received		36,600	94,850
R&D tax incentive received		39,578	-
Net cash flows (used in) operating activities	13	(3,256,929)	(8,300,310)
Investing activities			
Proceeds from sale of biological assets		-	55,000
Proceeds from sale of property, plant and equipment		-	117,255
Purchase of property, plant and equipment		(62,944)	(5,371)
Purchase of intangible assets		(63,890)	-
Purchase of other financial assets		-	(1,081,081)
Net cash flows (used in)/from investing activities		(126,834)	(914,197)
Financing activities			
Proceeds on issue of shares		6,529,307	-
Transaction costs paid on issue of shares		(599,293)	-
Repayment of lease liabilities		(154,124)	(118,276)
Net cash flows from financing activities		5,775,890	(118,276)
Net increase/(decrease) in cash and cash equivalents		2,392,127	(9,332,783)
Cash and cash equivalents at 1 July		5,112,514	14,514,645
Net foreign exchange difference		(26,029)	(69,348)
Cash and cash equivalents at 30 June	13	7,478,612	5,112,514

Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

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 2023 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 12, 636 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 23 the Group made a loss after tax of \$8,806,694 (2022: loss of \$11,108,449) and had net cash outflows from operating activities of \$3,256,929 (2022: \$8,300,310). 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, 12 months from the date of signing the financial report and note the following factors:

Net profit (loss): The Group recognised a net loss after tax of \$8,806,694 for the 2023 financial year. The directors considers that this result was impacted by the changeover in CBEC distributors, resulting in lower sales during the period and costs associated that will not be repeated in the 2024 financial year.

Demand for products: Consumer demand for products provided by the Group has remained relatively stable over the past 12 months, with higher volumes of Oli6® branded products sold in FY23 and this is expected to continue for the foreseeable future.

Working capital liquidity: Following completion of the successful capital raise in June 2023, the Group's closing cash position at 30 June 2023 was \$7,478,612, and as at the reporting date, the Group's current assets exceeded current liabilities by \$12,406,924, indicating that the Group has a positive working capital ratio and providing confidence that the Group will have sufficient resources to repay its debts falling due within the next 12 months. This includes consideration of the Group's existing cash holdings, amounts receivable from customers, as well as the saleable value of its current inventory holdings and the potential cash benefit from these sales.

Forecast cash flows: During the year, the Group successfully negotiated a new strategic distribution agreement with H&S Group that will serve as a platform for growth in China and South-east Asia. 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 and/or decreasing costs. 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.

Financing: The Group has undrawn financing facilities of \$400,000 that it may called upon for short-term financing requirements.

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 Group'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 Group'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 directors have considered the Group's liquidity, 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 2023. 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 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 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.

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

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

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 marketplace (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.

2.4 (continued)

Financial assets at fair value through profit or loss

Initial Recognition

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.

(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.

2.4 (continued)

d) Revenue from contracts with customers

Under AASB 15 *Revenue from Contracts with Customers*, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting requirements for the incremental costs directly related to fulfilling a contract with a customer. The Group recognises revenue from contracts with customers 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 two revenue streams by product type:

- i. Formula and nutritional powders, and
- ii. 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

Under AASB 15 *Revenue from Contracts with Customers*, to estimate the variable consideration to which it is entitled, the Group applies the 'most likely amount method' for contracts with variable contribution. 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 provided to customers are recognised as a reduction of revenue and are offset against amounts payable by the customer or provided in the form of inventory as a cost of sale. 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.

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.

2.4 (continued)

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.

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.

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.

2.4 (continued)

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 10 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.

Research and 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:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

We deem that development costs relating to product formulation have an indefinite life, where we assess annually for any impairment or changes to the indefinite life classification.

Trademarks

The costs of acquiring trademarks are capitalised initially and may be renewed at little or no cost to the Group. As a result, those trademarks are assessed as having an indefinite useful life. We assess the carrying value of trademarks annually for any impairment or changes to the indefinite life classification.

Software

The cost of software acquired externally are capitalised and amortised in accordance with their useful lives which are assessed as two to five years.

Impairment testing of intangible assets with indefinite lives

The Group annually tests for impairment, and when circumstances indicate that the carrying value of intangible assets with indefinite lives may be impaired. These impairment tests are based on value-in-use calculations.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. This impairment assessment includes the entire operations of the company, which are considered one single cash-generating unit (CGU).

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.

2.4 (continued)

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.

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
- Market.

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 amortisation 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 amortised on a straight-line basis over the shorter of the lease term, or the estimated useful lives of the assets up to a maximum of five years.

Right-of-use assets are also subject to annual impairment assessments. 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**.

The cost of share-based payments relating to employees 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.

2.4 (continued)

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.

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**.

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. 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 exercised significant judgement in determining what is part of consideration from customers was impacted in applying the requirements of AASB 15 *Revenue from Contracts with Customers*.

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

3. (continued)

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).

4. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest	
			2023	2022
Nuchev Food Pty Ltd	Manufacture and sale of formula & 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%	100%
Nuchev (Shanghai) Trading Co. Ltd	Administration hub for China	People's Republic of China	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:

	2023 \$	2022 \$
Type of good		
Formula and nutritional powders	7,505,812	7,249,621
Raw materials	1,285,789	2,474,188
Total revenue from contracts with customers	8,791,601	9,723,809
Geographical markets		
Australia	6,875,263	6,895,937
China	1,916,338	2,827,872
Total revenue from contracts with customers	8,791,601	9,723,809
Timing of revenue recognition		
Goods transferred at a point in time	8,791,601	9,723,809

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

	2023 \$	2022 \$
Right of return assets	7,566	8,054
Refund liabilities	(12,717)	(15,628)

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 2023 and 2022 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 with adjusted EBITDA reconciled as follows:

	2023 \$	2022 \$
Loss before interest, tax, amortisation and depreciation & impairment (Adjusted EBITDA)	7,364,433	10,248,795
Depreciation and amortisation	194,613	198,904
Impairment of intangible assets	508,875	-
Impairment of other financial assets	30,000	705,000
Product obsolescence and provision	684,824	(47,429)
Margin on raw material sales	(44,322)	(16,394)
Finance costs	83,805	32,099
Finance income	(15,534)	(12,526)
Loss before tax	8,806,694	11,108,449

	2023 \$	2022 \$
Geographical information		
Revenue		
Australia	6,875,263	6,895,937
China	1,916,338	2,827,872
	8,791,601	9,723,809

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 four customers who each generated more than 10% of the Group's revenues (2022: five customers generated more than 10% of the Group's revenue). For the year ended 30 June 2023, the revenue for these customers amounted to \$5,184,181 (2022: \$6,782,370).

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, and to manage liquidity.

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.

	2023 \$	2022 \$
Lease liabilities	284,145	154,124
Trade and other payables	1,958,117	1,502,710
Less: Cash and short-term deposits	(7,478,612)	(5,112,514)
Net debt	(5,236,350)	(3,455,680)
Equity	12,818,210	15,827,793
Capital and net debt	7,581,860	12,372,113

Gearing ratio	-69%	-28%
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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

	2023 \$	2022 \$
Government grants received	36,600	94,850
Sundry income	137,084	2,085
R&D grants received	39,578	-
Total other income	213,262	96,935

8.2 Finance income and costs

	2023 \$	2022 \$
Finance income		
Interest income	15,534	12,526
Total finance income	15,534	12,526
Finance costs		
Interest on lease liabilities	10,354	26,224
Fees and charges	73,451	5,875
Total finance costs	83,805	32,099

8.3 Loss for the year

	2023 \$	2022 \$
Included in cost of sales:		
Costs of inventories recognised as an expense	7,028,566	6,946,406
Inventory obsolescence	107,804	51,090
Inventory provision	(245,776)	(98,519)
Included in general and administration expenses:		
Net foreign exchange losses	26,029	69,348
Amortisation expense – brand registration	-	69,912
(Gain)/Loss on disposal of property, plant and equipment	-	(40,851)
Research and development costs (manufacturing)	7,428	434,825
Costs expensed on equity raise	105,630	-
Impairment expense:		
Impairment of intangible assets (Note 19)	508,875	-
Impairment of other financial assets	30,000	705,000
Impairment of receivables	14,560	34,402
Total impairment expense	553,435	739,402

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

	2023 \$	2022 \$
Included in employment expenses		
Wages and salaries	3,695,738	3,196,767
Post-employment benefits other than pensions	283,472	259,504
Share option payment expense	(29,653)	245,340
Total employee benefits expense	3,949,557	3,701,611

9. Income tax expense

The major components of income tax expense for the years ended 30 June 2023 and 2022 are:

	2023 \$	2022 \$
Consolidated statement of profit or loss		
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 2023 and 2022:		
	2023 \$	2022 \$
Accounting (loss) before income tax	(8,806,694)	(11,108,449)
At Australia's statutory income tax rate of 25% (2022: 25%)	(2,201,674)	(2,777,112)
Non-taxable/deductible income/expenses for tax purposes:		
R&D tax incentive exempted from tax	-	-
Non-assessable income	-	-
Non-deductible expenses	588,929	458,908
Other deductible expenses	(457,465)	(388,482)
Current year movement in deferred tax not recognised	(288,145)	(307,029)
Current income tax losses not recognised at 25% (2022: 25%)	2,358,355	3,013,715
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 \$19,797,916 (2022: \$17,623,983) at the tax rate of 25% (2022: 25%).

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 for the year 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:

	2023 \$	2022 \$
Loss used to calculate basic and diluted LPS	(8,806,694)	(11,108,449)
Weighted average number of ordinary shares for basic and diluted LPS	51,751,966	51,774,398
Basic LPS (dollars)	(0.17)	(0.21)
Diluted LPS (dollars)	(0.17)	(0.21)

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

	2023 \$	2022 \$
Debt instruments at amortised cost		
Cash and short-term deposits (Note 13)	7,478,612	5,112,514
Trade and other receivables (Note 14)	666,156	1,655,558
Other assets (Note 17)	91,537	81,325
Other financial assets (Note 20)	304,955	379,081
Total financial assets	8,541,260	7,228,478
Total current	8,159,851	6,782,588
Total non-current	381,409	445,890

11.2 Financial liabilities

	2023 \$	2022 \$
Financial liabilities		
Trade and other payables (Note 21)	1,958,117	1,502,710
Total financial liabilities	1,958,117	1,502,710
Total current	1,958,117	1,502,710
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, Ping An Bank and China Merchants Bank, both Chinese banks.

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 2023.

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 2023	Currency	Exposure	AUD	+/-5% mvmt pre-tax P&L impact \$
Cash and short-term deposits	RMB	312,943	65,098	(3,401)/3,094
Cash and short-term deposits	USD	332	500	(26)/24
Cash and short-term deposits	EUR	17,186	28,178	(1,399)/1,420
Trade and other receivables	RMB	197,975	41,177	(2,146)/1,963
Other assets	USD	10,000	15,083	(792)/713
Other assets	RMB	302,600	62,938	(3,280)/3,000
Other financial assets	RMB	5,000,000	1,039,955	(54,196)/49,568
Trade and other payables	RMB	(158,957)	(33,062)	1,723/(1,576)
Trade and other payables	USD	(9,919)	(14,961)	785/(707)
Trade and other payables	EUR	(17,565)	(28,800)	1,430/(1,451)

12. (continued)

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	76,212	(3,453)/3,890
Trade and other payables	RMB	(145,752)	(31,601)	1,490/(1,679)
Other assets	RMB	302,600	65,609	(3,094)/3,486
Other assets	USD	10,000	14,516	(691)/764
Other financial assets	RMB	5,000,000	1,084,081	(51,130)/57,602

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 2023						
Trade and other payables	-	1,869,748	-	-	-	1,869,748
Lease liabilities	-	17,792	53,375	278,566	-	349,733
	-	1,887,540	53,375	278,566	-	2,219,481
	On demand \$	< 3 months \$	3 – 12 months \$	1 – 5 years \$	> 5 years \$	Total \$
At 30 June 2022						
Trade and other payables	-	1,434,500	-	-	-	1,434,500
Lease liabilities	-	37,025	117,099	-	-	154,124
	-	1,471,525	117,099	-	-	1,588,624

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**.

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 2023	Current	One month	Two months	Three months +	Total \$
Expected credit loss rate	1.00%	2.00%	5.00%	100%	8.56%
Estimated total gross carrying amount at default	560,409	131,413	27,581	56,853	776,256
Expected credit loss	5,604	2,628	1,379	56,853	66,464
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

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 2023, the Group had available \$400,000 (2022: \$2,250,000) of undrawn committed borrowing facilities.

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

- Trade credit facility - \$206,000
- Bank rental guarantees - \$124,000
- Credit card facilities - \$70,000

The trade credit facility remains undrawn as at 30 June 2023.

13. (continued)

On 25 February 2022, the Group entered into a loan agreement (Loan Facility) with the Whiti Trust, a related party of Ben Dingle. Commencing 1 June 2022, this agreement provided a loan facility of up to \$2,000,000, available to be drawdown in instalments from \$250,000 with any drawdowns to be repaid by 31 December 2024. Under the terms of the Loan Facility, interest was payable quarterly in arrears at a rate of BBSW +12%, together with an additional 1% line fee. Unpaid interest and line fees were capitalised and added to the principal amount, accruing interest and repayable under the terms stated above. The terms of the loan were benchmarked to comparable products from independent third parties.

On 15 May 2023, the Group and Whiti Trust ('the parties') entered into a Deed of Termination and Release regarding the Loan Facility, whereby the parties proposed to terminate the Loan Facility on the satisfaction of two conditions precedent. Firstly, that the Whiti Trust and Ben Dingle participate in the Company's entitlement offer announced on 15 May 2023, and secondly, that the Whiti Trust and Ben Dingle transfer the relevant funds to be held on trust pending settlement of the entitlement offer. These conditions were satisfied and, on the date of settlement of the entitlement offer on 27th June 2023 the Loan Facility, was terminated.

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

	2023 \$	2022 \$
Cash at bank and on hand	7,148,612	4,782,514
Short-term deposits	330,000	330,000
	7,478,612	5,112,514

Cash flow reconciliation

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

(Loss) before tax	(8,806,694)	(11,108,449)
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Adjustments to reconcile (loss) before tax to net cash flows:

Depreciation and impairment of property, plant and equipment	28,633	23,258
Depreciation of right of use asset	102,314	102,314
Amortisation of intangible assets	63,661	71,113
Impairment of intangible assets	508,875	-
Impairment of other financial assets	30,000	705,000
(Gain) / Loss on disposal of property, plant and equipment	-	(40,851)
Share based payment expense	(29,653)	245,340
Finance costs	10,354	32,099
Net foreign exchange differences	26,029	(69,348)
Provision for expected credit losses	(14,560)	34,401
Transaction costs on equity raise	105,630	-

Working capital adjustments:

(Increase)/decrease in trade receivables and other assets	332,520	(568,263)
Decrease/(increase) in inventories	4,047,515	1,996,058
Increase/(decrease) in trade and other payables	334,249	291,326
Movements in provisions	4,198	(14,308)

Net cash flows used in operating activities **(3,256,929)** **(8,300,310)**

14. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	546,761	1,635,496
Allowance for expected credit losses	(66,464)	(51,904)
	480,297	1,583,592
Amounts receivable from related parties Note 29	141,909	-
Other receivables	43,950	71,966
	666,156	1,655,558

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:

	2023 \$	2022 \$
At 1 July	(51,904)	(313,603)
Provision for expected credit losses	(14,560)	(34,401)
Utilised	-	296,100
At 30 June	(66,464)	(51,904)

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

15. Prepayments

	2023 \$	2022 \$
Inventory prepayments	889,331	260,736
Other	229,030	256,240
	1,118,361	516,976

16. Inventories

	2023 \$	2022 \$
Raw material ingredients (at cost)	2,024,980	4,080,539
Work in progress (at cost)	2,812,795	2,646,329
Finished goods (at cost)	1,104,117	3,704,502
Less: Provision	(632,057)	(1,076,788)
	5,309,835	9,354,582

Provision has been recognised for aged and/or expired raw materials and base stock on hand and for finished goods which has less than one half of its shelf life remaining. For stock that can still be sold, a provision is recognised for the difference between the cost and net realisable value.

17. Other assets

	2023 \$	2022 \$
Current		
Deposits	15,083	14,516
Right of return asset	7,566	8,054
Total current	22,649	22,570

	2023 \$	2022 \$
Non-current		
Rental bond	14,056	1,764
Deposits	62,398	65,045
Total non-current assets	76,454	66,809

18. Property, plant and equipment

	2023 \$	2022 \$
Leasehold improvements:		
At cost	-	7,689
Accumulated depreciation	-	(3,076)
	-	4,613
Plant and equipment:		
At cost	150,574	108,418
Accumulated depreciation and impairment	(87,845)	(84,613)
	62,729	23,805
Total property, plant and equipment	62,729	28,418

Cost	Leasehold improvement \$	Plant and equipment \$	Total \$
At 1 July 2022	4,613	23,805	28,418
Additions	-	62,944	62,944
Depreciation	(4,613)	(24,020)	(28,633)
At 30 June 2023	0	62,729	62,729

Cost	Leasehold improvement \$	Plant and equipment \$	Total \$
At 1 July 2021	6,151	97,076	103,227
Additions	-	12,025	12,025
Disposals/Refunds	-	(63,576)	(63,576)
Depreciation	(1,538)	(21,720)	(23,258)
At 30 June 2022	4,613	23,805	28,418

19. Intangible assets

	2023 \$	2022 \$
Development costs		
At cost	579,070	570,070
Less accumulated impairment	(451,336)	(227,830)
Less accumulated amortisation	(127,734)	(82,436)
	-	259,804
Trademarks:		
At cost	246,644	246,644
Accumulated impairment	(246,644)	-
	-	246,644
Software:		
At cost	202,126	197,868
Accumulated amortisation	(202,126)	(195,670)
	-	2,198
Total intangible assets	-	508,646

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

The Group performs its annual impairment test in June and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for intangible assets with indefinite lives is based on value-in-use calculations.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As a result, an impairment assessment was performed at 31 December 2022 for the entire operations of the company which are considered one single cash-generating unit (CGU). The impairment charge of \$508,875 is recognised within impairment expenses in the statement of profit or loss.

19. (continued)

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.

Terminal growth rate estimates – Rates are based on industry research with consideration given to the maturity of the business.

As at 30 June 2023 the Group's recoverable amount of assets exceeds their carrying amounts.

Movements in carrying amounts of intangible assets:

Cost	Development Costs \$	Trademarks \$	Software \$	Total \$
At 1 July 2022	259,804	246,644	2,198	508,646
Additions	9,000	42,890	12,000	63,890
Disposals	-	-	-	-
Impairment	(223,506)	(285,369)	-	(508,875)
Amortisation	(45,298)	(4,165)	(14,198)	(63,661)
At 30 June 2023	-	-	-	-

Cost	Development Costs \$	Trademarks \$	Software \$	Total \$
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

20. Other financial assets

	2023 \$	2022 \$
Deposits held with third parties	1,039,955	1,084,081
Provision for impairment	(735,000)	(705,000)
	304,955	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

	2023 \$	2022 \$
Trade payables	697,846	673,593
Amounts payable to related parties	68,994	-
Other payables and accrued expenses	1,102,908	760,907
PAYG tax payable	88,369	68,210
	1,958,117	1,502,710

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

	2023 \$	2022 \$
At 1 July	-	-
Received during the year	36,600	94,850
Released to the statement of profit or loss	(36,600)	(94,850)
At 30 June	-	-

Government grants have been received for assistance in exporting Australian made products to overseas markets, and investment in research and development.

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

23. Provisions

	Annual leave \$	Long service leave \$	Total \$
At 1 July 2022	164,484	82,729	247,213
Arising during the year	197,166	(1,631)	195,535
Utilised	(191,337)	-	(191,337)
At 30 June 2023	170,313	81,098	251,411
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	164,484	82,729	247,213
		2023 \$	2022 \$
Total current		170,313	164,484
Total non-current		81,098	82,729

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, which has a term of 4.5 years from commencement. 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:

	2023 \$	2022 \$
As at 1 July	102,314	204,628
Additions	284,145	-
Depreciation expense	(102,314)	(102,314)
As at 30 June	284,145	102,314

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

	2023 \$	2022 \$
As at 1 July	154,124	286,327
Additions	284,145	-
Interest	10,354	26,224
Payments	(164,478)	(158,427)
As at 30 June	284,145	154,124
Current	47,543	154,124
Non-current	236,602	-

The following are the amounts recognised in profit or loss:

	2023 \$	2022 \$
Amortisation of right-of-use assets	102,314	102,314
Interest expense on lease liabilities	10,354	26,224
Expense relating to short-term leases	7,087	5,441
Expense relating to leases of low-value assets	-	-
Total amount recognised in profit or loss	119,755	133,979

The Group had total cash outflows for leases of \$164,478 in 2023 (2022: \$158,427). The lease contracts for office spaces contain fixed rental increases and no variable payments, termination options or extensions. Total weighted average lease term is 4.5 years (2022:1 year).

25. Other liabilities

	2023 \$	2022 \$
Current		
Contract liability – right of return	12,717	15,628
Total other liabilities	12,717	15,628

26. Issued capital

	2023 \$	2022 \$
Fully paid ordinary shares	101,863,550	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.

26. (continued)

Movement in issued share capital:

	Number of Shares	\$
Ordinary shares issued and fully paid		
At 30 June 2021	51,744,398	96,036,786
Shares issued	-	-
Equity related transaction costs	-	-
At 30 June 2022	51,744,398	96,036,786
Shares issued	32,662,882	6,529,307
Equity related transaction costs	-	(702,543)
At 30 June 2023	84,407,280	101,863,550

In December 2022, the FY20 Employee Rights scheme vested, with 16,345 shares being issued.

In June 2023, the Company completed a capital raise by way of a 1 for 2.59 pro-rata non-renounceable entitlement offer ("Entitlement Offer") and share placement ("Placement") at \$0.20 per new share. The purpose of the capital raise was to fund working capital, including as required for group activities associated with a strategic partnership entered into with H&S Group to grow sales in China and Vietnam.

- 11,281,935 new shares were issued as part of the Entitlement Offer (including Shortfall Shares under the Top Up Facility) at \$0.20 per share for \$2,256,387 in proceeds
- 4,135,957 new shares were issued to H&S Investments under the Shortfall Offer under the Entitlement Offer at \$0.20 per share for \$827,191 proceeds
- 4,567,553 new shares were issued to institutional investors under the Shortfall Offer within the Entitlement Offer at \$0.20 per share for \$913,511 in proceeds
- 12,661,092 new shares were issued to H&S Investments under the Placement Agreement at \$0.20 per share for \$2,532,218 in proceeds
- \$808,173 of transaction costs were incurred though the capital raise including negotiation of the distribution agreement and placement to H&S Group, of which \$105,630 has been expensed in the profit and loss and the remaining amount of \$702,543 recognised against the share capital raised.

27. Other capital reserves

	2023 \$	2022 \$
Balance at the beginning of the period	1,915,457	1,670,117
Share based payments - employee	(29,653)	245,340
Balance at the end of the period	1,885,804	1,915,457

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

FY23 Employee Rights

In June 2022, 333,333 rights were provided to the CFO, in September 2022, 164,532 were provided to other employees and in October 2022, 806,452 rights were provided to the CEO 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 and two years from the date of issue. The vesting conditions require the employee meeting continuous service conditions. 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 \$0.22, \$0.26 and \$0.24, respectively, refer to Note 1 below for inputs used.

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 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.

FY20 Long Term Incentive Plan

In December 2019 as part of the IPO 1,509,560 options for senior executives (including the CEO) were granted 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.

28. (continued)

Assumption	FY20 Rights	FY20 LTI	FY21 LTI	FY22 Rights	FY22 LTI	FY23 Rights
Exercise price	Nil	\$2.600	\$2.553	Nil	\$0.5217	See Note 1 below
Term of option/right (expiry)	3 years	5 years	5 years	2 years	4 years	See Note 1 below
Fair value at grant date	\$2.600	\$0.649	\$0.20	\$0.520	\$0.320 -\$0.349	See Note 1 below
Expected dividend yield	0%	0%	0%	0%	0%	See Note 1 below
Expected volatility	35%	35%	69%	75%	75%	See Note 1 below
Risk-free rate	1%	1%	0.19%	1%	1%	See Note 1 below

Note 1

FY23 Rights	CEO	CFO	Other Employees
Rights Issued	806,452	333,333	164,532
Exercise price	\$Nil	\$Nil	\$Nil
Term of option/right (expiry)	2 Years	3 Years	3 Years
Fair value at grant date	\$0.24	\$0.22	\$0.26
Expected dividend yield	0%	0%	0%
Expected volatility	82.78%	69.92%	74.94%
Risk-free rate	3.405%	3.732%	3.295%

Non-employee share-based payments

Other

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

No shares will vest under this agreement.

Performance Options

In June 2023 the Group entered into a Distribution Agreement with H&S Group as the exclusive distributor in China CBEC and Vietnam. In addition, a share placement was made to H&S Group, which when combined with new shares subscribed to by H&S under the Entitlement Offer, enabled H&S Group to acquire up to 19.9% of the shares on issue.

In order to incentivise H&S Group under the Distribution Agreement, Performance Options were granted to H&S Group to subscribe for ordinary Shares in three tranches (one per year), subject to the satisfaction of annual sales performance targets for the three years ending 30 June 2026. These options could result in a total potential ownership by H&S Group of up to 34.9% of the Company's shares on issue.

19,448,681 Performance Options were issued to H&S Group on 28th June 2023 in three tranches:

TRANCHE	No. of Options	Exercise Price
Tranche A (FY 2024)	5,619,659	\$0.25
Tranche B (FY 2025)	6,421,322	\$0.30
Tranche C (FY 2026)	7,407,700	\$0.36

In the event that the performance conditions are met, the value of the options at that time will be recognised as an offset against revenue in accordance with AASB 15 *Revenue from Contracts with Customers* as described in the Group's significant accounting policies – refer **2.4 (d)**

Reconciliation of employee share options/rights

Plan	Exercise price per option \$	1 July 2022	Granted	Lapsed	Vested	Unvested at 30 June 2023	Vested but Unexercised
FY16 / 17 LTI	2.500	78,142		(78,142)		-	-
FY20 Rights		16,345			(16,345)	-	-
FY20 LTI	2.600	866,259		-	(866,259)	-	866,259
FY21 Rights		-				-	-
FY21 LTI	2.553	663,411		(663,411)		-	-
FY22 Rights		191,700		(191,700)		-	-
FY22 LTI	0.522	2,355,967				2,355,967	-
FY23 Rights		-	1,304,317			1,304,317	-
Total		4,171,824	1,304,317	(933,253)	(882,604)	3,660,284	866,259
VWAP\$		1.29				0.52	

28. (continued)

Plan	Exercise price per option \$	1 July 2021	Granted	Lapsed	Vested	Unvested at 30 June 2022	Vested but Unexercised
FY16 / 17 LTI	2.500	541,250	-	(463,108)	-	78,142	-
FY20 Rights		20,191	-	(3,846)	-	16,345	-
FY20 LTI	2.600	1,229,332	-	(363,073)	-	866,259	-
FY21 Rights		39,480	-	(39,480)	-	-	-
FY21 LTI	2.553	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		2,838,639	3,507,431	(2,174,246)		4,171,824	-
VWAP\$		2.56				1.29	

The weighted average remaining contractual life of the outstanding options as at 30 June 2023 was 1.4 years (2022: 2.2 years).

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 \$(29,653) (2022: \$245,340).

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.

		Sales to related parties \$	Purchases from related parties \$	Amounts owed by/(to) related parties \$
Significant shareholders of the Group				
H&S Group	2023	350,517	87,586	141,909
	2022	-	-	-
Key management personnel of the Group				
Other directors' interests	2023	-	-	(68,993)
	2022	-	6,591	-

Transactions with significant shareholders

The above transactions were considered to be at arms length.

Transactions with key management personnel

Other directors' interests

On 25th February 2022, the Group entered into a loan agreement ('Loan Facility') with the Whiti Trust, a related party of Ben Dingle. Commencing 1 June 2022, this agreement provided a Loan Facility of up to \$2,000,000, available to be drawn down in instalments from \$250,000 with any drawdowns repaid by 31 December 2024. Under the terms of the Loan Facility, interest was payable quarterly in arrears at a rate of BBSW +12%, together with an additional 1%-line fee. Unpaid interest and line fees were capitalised and added to the principal amount, accruing interest and repayable under the terms stated above. The terms of the loan were benchmarked to comparable products from independent third parties.

On 15th May 2023, the Group and Whiti Trust ('the parties') entered into a Deed of Termination and Release regarding the Loan Facility, whereby the parties proposed to terminate the Loan Facility on the satisfaction of two conditions precedent. Firstly, that the Whiti Trust and Ben Dingle participate in the Company's entitlement offer announced on 15 May 2023, and secondly, that the Whiti Trust and Ben Dingle transfer the relevant funds to be held on trust pending settlement of the entitlement offer. These conditions were satisfied and, on the date of settlement of the entitlement offer on 27th June 2023, the Loan Facility was terminated.

Fees and interest related to the facility of \$68,994 payable to Mr Dingle at 30 June 2023 were paid subsequent to the year end.

In the prior year, commission totalling \$6,591 was paid to a close family member of Ben Dingle, Tom Dingle, in regard to the sale of biological assets.

Compensation of key management personnel of the Group

	2023 \$	2022 \$
Short-term employee benefits	1,422,842	1,089,236
Post-employment benefits	84,900	71,649
Share-based payments	22,464	154,205
	1,530,206	1,315,090

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 or the state of affairs in the year ended 30 June 2023.

32. Information relating to Nuchev Ltd (the Parent)

	2023	2022
	\$	\$
Current assets	6,468,459	2,535,687
Total assets	55,161,684	54,721,189
Current liabilities	1,630,805	903,952
Total liabilities	1,711,903	986,681
Issued capital	101,863,770	96,037,006
Accumulated losses	(50,299,793)	(44,217,957)
Other capital reserves	1,885,804	1,915,457
(Loss) of the Parent entity	(6,028,800)	(5,817,721)
Total comprehensive (loss) of the Parent entity	(6,028,800)	(5,817,721)

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:

	2023	2022
	\$	\$
Audit fees – Ernst & Young	227,220	182,000
Non-Audit fees – Ernst & Young	-	-
	227,220	182,000

Director's 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 2023 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 2023 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 2023.

Signed in accordance with a resolution of the directors.



Justin Breheny

Chair

Dated: 31 August 2023

Independent Auditor’s Report



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Independent auditor’s report to the members of Nuchev Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Nuchev Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Revenue recognition

Why significant	How our audit addressed the key audit matter
At 30 June 2023, the Group recorded revenue of \$8.79 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. Disclosures relating to revenues recognised can be found in Note 5 Revenue from contracts with customers.	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 Australian Accounting Standards. ▶ Assessed the accounting for sales returns and tested the accuracy of sales return accrual calculations with reference to historical trends and transactions subsequent to year end. ▶ Assessed the accounting for discount and marketing arrangements and the appropriate classification in the financial report. ▶ 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 Australian Accounting Standards.

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Independent Auditor’s Report (continued)



Inventory existence and valuation

Why significant	How our audit addressed the key audit matter
As at 30 June 2023, the carrying amount of inventory was \$5.31 million, net of a provision for inventory obsolescence of \$0.63 million, representing 34% of total assets of the Group. Inventory is valued at the lower of cost or net-realisable 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 normally raised against finished goods inventory with less than 50% of its shelf life remaining and other inventory as specifically identified. We considered the existence and 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. Disclosures relating to inventory can be found in Note 16 Inventories.	The procedures we performed with respect to inventory existence and 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 net realisable value of inventory by comparing recent sales price to recorded cost and considering expected costs to sell. ▶ Assessed the adequacy of the Group's disclosures concerning significant accounting estimates and judgements and inventory in the financial report.

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2023 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 42 to 54 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Nucheve Limited for the year ended 30 June 2023, 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

Katie Struthers
Partner
Melbourne
31 August 2023

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Shareholder Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 25 September 2023 (Reporting Date).

(a) Distribution of equity securities

(i) Fully Paid Ordinary Shares (ASX: NUC)

Range	Shares	Total Holders	% of Shares
1 - 1,000	172,347	347	0.21%
1,001 - 5,000	903,247	336	1.07%
5,001 - 10,000	1,020,674	134	1.21%
10,001 - 100,000	5,699,990	173	6.75%
100,001 Over	76,611,022	43	90.76%
Total	84,407,280	1,033	100.00%

(ii) Unquoted Options Over Ordinary Shares

Range	Options	Total Holders	% of Securities
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	140,113	2	0.62%
100,001 Over	22,530,796	6	99.38%
Total	22,670,909	8	100.00%

(iii) Unquoted Performance Rights Over Ordinary Shares

Range	Performance Rights	Total Holders	% of Securities
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	164,532	4	12.61%
100,001 Over	1,139,785	2	87.39%
Total	1,304,317	6	100.00%

(b) Unmarketable parcels

	Parcel Size	Holders	Units
\$500 parcel at \$0.18 per unit	2,778	544	533,939

(c) Equity security holders

Fully Paid Ordinary Shares (ASX:NUC) Twenty largest quoted equity security holders (ordinary shares)

Holder	Number Held	% of Issued Capital
Ben Dingle	32,084,449	38.01%
H&S Investments Australia Pty Ltd <H&S Investment Unit A/C>	16,797,049	19.90%
HSBC Custody Nominees (Australia) Limited	12,793,825	15.16%
Mr Craig Silbery	3,692,604	4.37%
CW Investment Holdings A/C <CW Investment Holdings A/C>	1,030,000	1.22%
Kirwood Capital Direct Investments 1 Pty Ltd <Kirwood Cap Direct Invest 1>	1,000,000	1.18%
Superhero Securities Limited <Client A/C>	953,900	1.13%
Justin Breheny	937,008	1.11%
Gigo Investment Pty Ltd <Gigo A/C>	874,949	1.04%
Ataturk Investments Pty Ltd	565,067	0.67%
Top End Enterprises Pty Ltd <Atkins Super Fund A/C>	405,771	0.48%
Daho Pty Ltd <The DHB S/F A/C>	350,000	0.41%
Pacific Healthy International Holding Pty Ltd	317,097	0.38%
Mr Pynith Charernsirivathin & Mrs Zina Christina Charernsirivathin	300,000	0.36%
MF & SA Super Pty Ltd <MF & SA Super A/C>	277,000	0.33%
Sharma Investments Pty Ltd <Sharma Invest Disc A/C>	245,771	0.29%
Mango & Chubb Pty Ltd <Superannuation Fund A/C>	240,000	0.28%
Mr Lawrence Wing Ming Ho & Mrs Ying Ho <L&Y Family Super Fund A/C>	235,919	0.28%
MGD Strategic Acquisitions P/L <MGD Strat Acquisitions A/C>	228,545	0.27%
Thomas Edward Dingle & Patricia Jessie Dingle <Clyde Hill A/C>	225,000	0.27%
	73,553,954	87.14%

(d) Substantial shareholders

As at 25 September 2023, 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:

Fully Paid Ordinary Shares

As at 25 September 2023, 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:

Ordinary Shares	Number Held	% Of Ordinary Shares
Ben Dingle^	32,084,449	38.01%
H&S Investments Australia Pty Ltd as trustee for H&S Investment Unit Trust	16,797,049	19.90%
Mithaq Capital SPC^	12,564,873	14.89%
	61,446,371	72.80%

^ various holdings

* Relevant interest arising from a restriction on disposal of shares due to ASX imposed escrow, as notified to ASX.

(e) Voting rights

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

- (i) 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
- (ii) Options: No voting rights
- (iii) Performance Rights: No voting rights

(f) Unquoted equity securities

Unquoted Options and Performance Rights issued over Ordinary Shares.

Class	Number on Issue	Number of Holders
Unquoted Options	19,448,681	1

Unquoted Options and Performance Rights issued under the Company’s Employee Option Plan (“EOP”) over Ordinary Shares):

Class	Number on Issue	Number of Holders
Unquoted Options	3,222,228	7
Unquoted Performance Rights	1,304,317	6

The following persons hold 20% or more of unquoted equity securities:

Holder	Class	Number Held
H&S Investments Australia Pty Ltd	Unquoted Options	19,448,681
Options	No voting rights	
Performance Rights	No voting rights	

(g) On Market Buy Back

There was no on market buy back in operation.

Corporate Directory

Company | **Nuchev Limited**
ABN 54 163 225 090
Level 12, 636 St Kilda Road
Melbourne VIC 3004 Australia

Corporate website | **www.nuchev.com.au**

Registered office
Level 12, 636 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 | Non-Executive Director
Selina Lightfoot | Non-Executive Director
Jeffrey Martin | Non-Executive Director
Michelle Terry | Non-Executive Director

Chief Executive Officer | Greg Kerr

Company Secretary | Tamara Barr

