2023

APPENDIX 4E

PRELIMINARY FINAL REPORT

ASX: BUB
Bubs Australia

Bubs Australia Limited and Controlled Entities | ACN 060 094 742

Appendix 4E

Preliminary Final Report

Name of Entity: Bubs Australia Limited

ACN: 060 094 742

1. **Reporting Period** (current period): 30 June 2023
   Previous corresponding period: 30 June 2022

2. **Results for announcement to market**

Revenue from ordinary activities	Decrease	33%	To	$60,110,627
(Loss) from ordinary activities after tax attributable to members	Decrease	853%	To	($108,602,403)
Net (loss) for the period attributable to members	Decrease	853%	To	($108,602,403)
Dividends	Amount per share cents	Franked amount per share cents		
Final	-	-		
Interim	-	-		

	Current period	**Previous corresponding period**
Net tangible asset* per share (cents)	5.39	8.02

*Net tangible assets is inclusive of the right of use assets.

Record date for determining entitlements to dividends: N/A

ASIC Guidance

To comply with Regulatory Guide 230 issued by ASIC in December 2011, Bubs Australia Limited is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards.

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. In accordance with the Corporations Act 2001, the Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2023.

The Annual Financial Report is being audited and will be released in September 2023.

Bubs Australia Limited and Controlled Entities

ACN 060 094 742

Preliminary Final Report
For The Financial Year Ended
30 June 2023

Contents

General Information

Bubs Australia Limited's principal place of business is:
23 Nina Link, Dandenong South, VIC 3175 Australia

Corporate Directory

Directors
Dennis Lin (resigned 30th May 2023)
Kristy-Lee Newland Carr (resigned 30th May 2023)
Steve Lin
Katrina Rathie
Paul Jensen (appointed 20 March 2023)
Reg Weine (appointed 11th April 2023)

Company Secretary
Jay Stephenson

Registered office and domicile
Bubs Australia Limited is a company limited by shares, incorporated and domiciled in Australia.
Its registered office is:
23 Nina Link, Dandenong South
VIC 3175 Australia

Share registry
Computershare Investor Services Pty Limited
Level 2
Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Auditors
KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3008

Australian Stock Exchange
ASX Code: BUB

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue	B2	60,110,627	89,297,324
Cost of sales	B3	(69,466,176)	(60,392,016)
Gross (loss) / profit		(9,355,549)	28,905,308
Other Income		199,996	430,096
Distribution and selling costs		(5,512,785)	(3,447,329)
Marketing and promotion costs		(15,873,517)	(10,094,361)
Administrative and other costs	B3	(34,041,328)	(27,041,132)
Credit losses	C1	(6,785,873)	715,099
Impairment	C5	(36,165,080)	-
Operating Profit		**(107,534,137)**	**(10,532,319)**
Interest income		518,982	58,378
Finance cost	B3	(452,470)	(914,374)
Net Finance income/(cost)		**66,512**	**(855,996)**
Share of net profits of joint ventures accounted for using the equity method		(16,914)	87,193
Loss before tax		**(107,484,539)**	**(11,301,122)**
Income tax benefit / (expense)	B5	(868,303)	(76,422)
Loss for the year after tax		**(108,352,842)**	**(11,377,544)**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translation of foreign operations		(249,561)	(22,795)
Other comprehensive income/(loss) for the year, net of tax		**(249,561)**	**(22,795)**
Total comprehensive loss for the year		**(108,602,403)**	**(11,400,339)**
Loss per share			
Basic (loss) per share (dollars)	B4	(0.15)	(0.02)
Diluted (loss) per share (dollars)	B4	(0.15)	(0.02)

Consolidated Statement of Financial Position
As at 30 June 2023

	Note	30/06/2023 $	30/06/2022 $
Assets			
Current Assets			
Cash and cash equivalents	D1	26,052,523	16,311,005
Trade and other receivables	C1	7,914,587	24,850,924
Inventories	C2	20,767,492	28,460,168
Other assets	C3	2,624,480	9,830,295
Total Current Assets		**57,359,082**	**79,452,392**
Non-Current Assets			
Plant and equipment	C4	4,438,440	4,366,855
Right of use assets	C8	1,930,243	2,400,731
Intangible assets	C5	1,204,780	39,044,397
Investment in associates	E	116,907	136,770
Other assets	C3	549,145	539,845
Total Non-Current Assets		**8,239,515**	**46,488,598**
Total Assets		**65,598,597**	**125,940,990**
Liabilities			
Current Liabilities			
Trade and other payables	C6	16,673,764	27,490,328
Contract liabilities	C7	124,307	46,750
Lease liabilities	C8	679,239	615,875
Borrowings	C9	2,000,000	2,000,000
Provisions	C10	2,438,969	1,039,784
Deferred consideration payables	C11	-	4,000,000
Total Current Liabilities		**21,916,279**	**35,192,737**
Non-Current Liabilities			
Lease liabilities	C8	1,726,648	2,302,975
Provisions	C10	275,452	235,727
Total Non-Current Liabilities		**2,002,101**	**2,538,702**
Total Liabilities		**23,918,380**	**37,731,439**
Net Assets		**41,680,218**	**88,209,551**

Consolidated Statement of Financial Position
As at 30 June 2023

	Note	30/06/2023 $	30/06/2022 $
Equity			
Issued capital		340,568,767	274,851,116
Equity Reserve		-	4,246,021
Share based payments reserve		11,934,065	11,332,626
Foreign currency translation reserve		(294,770)	(45,209)
Accumulated losses		(310,527,844)	(202,175,003)
Total Equity		**41,680,218**	**88,209,551**

The accompanying notes form part of these consolidated financial statements.

Bubs Australia Limited and Controlled Entities
Preliminary Final Report for the year ended 30 June 2023

Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

2023	Issued Capital	Share Based Payments Reserve	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	$	$	$	$	$	$
Balance at 1 July 2022	**274,851,116**	**11,332,626**	**4,246,021**	**(45,209)**	**(202,175,003)**	**88,209,551**
Comprehensive income						
Loss for the year					(108,352,842)	(108,352,842)
Other comprehensive loss				(249,561)		(249,561)
Total comprehensive loss	-	-	-	**(249,561)**	**(108,352,842)**	**(108,602,403)**
Other equity transactions:						
Issue of shares	67,743,690	-	(4,246,021)	-	-	63,497,669
Capital raising costs, net of tax	(2,026,039)	-	-	-	-	(2,026,039)
Share based payment expense	-	601,439	-	-	-	601,439
Equity linked transaction	-	-	-	-	-	-
Balance at 30 June 2023	**340,568,766**	**11,934,065**	**-**	**(294,770)**	**(310,527,844)**	**41,680,218**

Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

2022	Issued Capital	Share Based Payments Reserve	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	$	$	$	$	$	$
Balance at 1 July 2021	274,851,116	2,988,548	-	(22,414)	(190,797,459)	87,019,791
Comprehensive income						
Loss for the year	-	-	-	-	(11,377,544)	(11,377,544)
Other comprehensive loss	-	-	-	(22,795)	-	(22,795)
Total comprehensive loss	-	-	-	(22,795)	(11,377,544)	(11,400,339)
Other equity transactions:						
Issue of shares	-	-	-	-	-	-
Capital raising costs, net of tax	-	-	-	-	-	-
Share based payment expense / (benefit)	-	8,344,078	-	-	-	8,344,078
Equity linked transaction	-	-	4,246,021	-	-	4,246,021
Balance at 30 June 2022	274,851,116	11,332,626	4,246,021	(45,209)	(202,175,003)	88,209,551

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		77,286,737	90,549,015
Payments to suppliers and employees		(123,846,485)	(99,712,546)
Interest received		518,982	66,914
Interest paid		(452,470)	(277,220)
Net cash used in operating activities	**D2**	**(46,493,236)**	**(9,373,837)**
Cash flows from investing activities			
Purchases of plant and equipment		(240,227)	(554,093)
Proceeds from disposal of property, plant and equipment		-	1,797
Payments to Deloraine vendors relating to Deloraine acquisition		(4,000,000)	(1,000,000)
Purchases of intangible assets		(6,605)	(2,850)
Net cash used in investing activities		**(4,246,832)**	**(1,555,146)**
Cash flows from financing activities			
Proceeds from share issue		63,020,588	-
Capital raising costs		(2,026,039)	-
Payment of lease liabilities		(512,963)	(643,214)
Net cash from / (used in) financing activities		**60,481,587**	**(643,214)**
Net increase / (decrease) in cash and cash equivalents		**9,741,519**	**(11,572,197)**
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial year		16,311,005	27,883,202
Total cash and cash equivalents at the end of the year		**26,052,523**	**16,311,005**

The accompanying notes form part of these financial statements.

A. Basis of preparation

Corporate information

The Preliminary Final Report cover Bubs Australia Limited as a consolidated entity consisting of Bubs Australia Limited and the entities it controlled (“the Group”) for the year ended 30 June 2023. The financial report is presented in Australian dollars, which is Bubs Australia Limited’s functional and presentational currency.

The Group is a for-profit entity that is a listed public company limited by shares, incorporated and domiciled in Australia. The Group’s principal activity is the manufacturing and sale of organic baby food, infant formula products, adult goat milk powder and fresh dairy products. The group also provides canning services of nutritional dairy products.

Basis of preparation

The Preliminary Final Report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001 (Cth)*.

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

Going concern basis of accounting

The Group have prepared the Preliminary Final Report for the year ended 30 June 2023 on a 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.

Financial results

At 30 June 2023, the Group is in a net current asset position of $35.4m (2022: $44.3m). At 30 June 2023, the Group has $26.1m in available cash and cash equivalents and $8.0m in committed un-drawn bank facilities (note C9). The Group made a FY23 loss after tax of $108.4m (FY22: $11.4m) which included an impairment of intangibles of $36.2m, impairment of inventory of $25.2m, and provisions for expected credit losses of $6.8m. Subsequent to the year end, the Group renewed the $10.0m working capital facility with National Australia Bank, with expiry in September 2024.

Net cash outflows from operating activities in FY23 were $46.5m (FY22: $9.4m) which included the following:

- High inventory levels of base formula powder on hand, $25.4m (FY22: $10.9m) due to lower opportunities to convert inventory to cash, predominantly from the reduction in sales to the Chinese market (refer to the inventory impairment – note C2 and intangibles impairment – note C5);
- Outstanding receivables of $5.7m from Alice Trading Limited and Willis Trading Limited, which the Group have taken legal action to recover;
- Legal costs of $2.0m in relation to ongoing litigation matters;
- Marketing, promotional and travel costs under previous management of $17m;
- Consulting fees under previous management of $3.6m; and

- Enterprise resource planning (ERP) costs of $1.1m and $3.5m in U.S. Food and Drug Administration (FDA) costs.

Future financial performance

The Group undertook a strategic review of the business with a particular focus on growth in the US, a reset to on the existing China strategy, portfolio optimisation, utilisation of existing assets and improving working capital. The Group acknowledges the inherent uncertainty in their earnings forecast, which includes assumptions such as:

- Increased ranging of products in the USA including the introduction on new planograms and increasing the number of stores for each product.
- Attainment of the permanent U.S. Food and Drug Administration approval to continue operating in the USA. The Group is currently operating under discretionary approval until permanent approval is expected to be obtained in FY25.
- Improved working capital position and liquidating excess inventory, including the Base powder valued at $25m prior to provisions.
- Reduced operating expenses through stringent expense management, and cost optimisation and estimated expenses relating to litigation matters.

The Directors are proactively taking steps to manage and mitigate the risks associated with the required business improvement, including looking at funding alternatives. The Directors Strategic Review includes incremental opportunities over and above what has been used in the above going concern assessment.

Due to the uncertainty surrounding the above matters, a material uncertainty exists which may cast doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, based on the current information and actions being taken, the Directors consider that it is appropriate for the financial report to be prepared on a going concern basis.

Should the cash flow forecasts not be achieved, there is a material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

New, revised or amending Accounting Standards and Interpretations adopted.

Several other amendments and interpretations were applied for the first time in the 2023 financial period, but do not have a material impact on the consolidated financial statements of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting year ended 30 June 2023.

IFRS 17 Insurance Contracts - This standard introduces a single model for accounting for insurance contracts, providing more transparent and consistent information about an insurer's financial position, performance and risk exposure. The standard is effective for annual periods beginning on or after January 1, 2023.

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

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions. The most significant use of judgements and estimates has been applied to the following areas. Refer to the respective notes for additional details.

	Reference
Recoverability of trade and other receivables	Note C1
Valuation of inventory	Note C2
Recoverability of goodwill and other intangibles	Note C5

B. Group performance

This section explains the results and performance of the Group for the year, including segment information, earnings per share and taxation.

B1. Operating segments

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

In FY22 and FY23, the Group had identified a single operating segment being the sale of nutritional food, adult powder and providing canning services of nutritional dairy products. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position was the same as that presented to the chief operating decision maker.

B2. Revenue

Geographic information

	2023 $	2022 $
Australia	17,343,758	14,467,623
China	13,621,330	49,404,629
USA	23,904,446	8,076,638
Rest of World*	5,241,093	17,348,435
Total	60,110,627	89,297,324

*FY22 includes $13.5m for the sale of raw materials.

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

The Group had two external customers who generated greater than 10 percent of the Group's revenue at 30 June 2023 amounting to $ 12,567,897 (2022: three customers amounting to $50,549,774).

The Majority of the Group's assets are located in Australia.

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

Type of goods and services	2023 $	2022 $
Sale of Infant Formula	48,613,317	53,527,894
Sale of Nutritional Products	2,939,978	1,895,371
Sale of Adult Goat Dairy Products	6,673,844	19,429,374
Sale of Raw Materials	606,104	13,495,699
Canning services	1,277,384	948,986
Total revenue from contracts with customers	**60,110,627**	**89,297,324**

Recognition and measurement

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

Sale of products

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

- Infant Formula
- Nutritional Products
- Adult Goat Dairy Products
- Raw materials

For all revenue streams, the Group's contracts with customers for the sale of products include one performance obligation. The Group has concluded that revenue from sale of products should be recognised at the point in time when the products are transferred to the customer, generally on delivery of the products or when the goods are picked up at the Group's warehouse. Customers obtain control of products when the goods are delivered to and have been accepted by the customer. If the order is requested for pickup, control passes when the goods are picked up by the customer. Invoices are generated at that point in time and are usually payable within 30 days.
Some contracts contain trade spend terms, early payment discounts and may permit the customer to return an item for replacement or refund.
The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns, volume rebates and marketing contribution.
For the year ended 30 June 2023, the Group has not recognised any right to recover or refund liability as there is no expectation for goods to be returned.

Rebates and marketing contribution

Rebates and marketing contribution with customers are recognised as a reduction of revenue. Under *AASB 15 Revenue from Contracts with Customer*, marketing contributions give rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'most likely amount method' for contracts with marketing contribution. The selected method that best predicts the amount of variable consideration is primarily driven by the marketing contribution agreed with the customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Provision of canning services

The Group provides the canning services for nutritional dairy products. The Group recognises revenue from the canning services measured at the fair value of the consideration received or receivable. The revenue represents the Group's right to an amount of consideration that is unconditional. Where the Group controls the promised goods before transferring them to the customers, the Group is a principal and recognises the full amount of goods and canning services as revenue when the production is complete. Where the Group does not control the promised goods and solely provides canning services to the customers, the Group is an agent and recognises the revenue for the canning services when the production is complete.

Where contracts with customers have minimum volume commitments over the term of the agreement and the customer is not able to fulfil minimum volume commitment, the Group is entitled to charge a penalty fee of the shortfall volume. This gives rise to variable consideration. To estimate the variable consideration to which it is entitled, the Group applies the 'expected value method'.

Key estimate and judgement

The Group estimates variable consideration to be included in the transaction price for the sale of products with rebates and market contribution.

The Group estimates variable consideration to be included in the transaction price of the canning service with minimum volume commitments. The Group estimates the expected volume based on customer forecasts and accumulated purchases to date.

B3. Expenses

	2023	2022
Cost of sales		
Production costs	42,195,685	65,402,785
Net inventories provision / (reversal)	27,270,491	(5,010,769)
Total	**69,466,176**	**60,392,016**

Included in administrative and other expenses are the following:		
Listing and registry fees	404,723	318,661
Accountancy and legal fees	3,802,567	1,379,960
Insurance	1,050,770	654,768
Travel costs	1,235,747	518,150
Consultancy fee	7,090,641	2,392,867
Occupancy costs	661,680	304,622
Depreciation and amortisation	2,320,272	2,693,197
Implementation of Enterprise resource planning (ERP)	1,079,076	-
Total	**17,645,476**	**8,521,517**

Employee costs		
Wages and salaries	13,130,723	7,697,645
Superannuation	1,171,378	728,284
Share based payments	601,439	8,344,078
Total	**14,903,540**	**16,770,007**

Finance costs		
Interest expense	324,996	296,970
Interest expense on lease liabilities	127,474	127,585
Unwinding of deferred consideration payable	-	489,819
Total	**452,470**	**914,374**

B4. Loss per share (LPS)

	2023	2022
Loss attributable to the Group used in calculating basic and diluted LPS	(108,352,842)	(11,377,544)
Weighted average number of ordinary shares for basic LPS	739,265,049	612,775,580
Basic LPS (dollars)	(0.15)	(0.02)
Diluted LPS (dollars)	(0.15)	(0.02)

Recognition and measurement

Basic LPS is calculated as net loss attributable to the group divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted LPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

B5. Income taxes

	2023 $	2022 $
Consolidated profit or loss		
Income tax benefit / (expense)		
Current tax	-	(76,422)
Income tax benefit / (expense) reported in the statement of profit or loss	(868,303)	(76,422)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Accounting loss before income tax benefit	107,484,539	11,301,122
Income tax benefit calculated at 30% (2022:30%)	32,245,362	3,390,337
Effect of different tax rates of subsidiary operating in other jurisdiction[1]	-	118,121
Tax effect of amounts not taxable in calculating income tax benefit		
Share based payments	(180,432)	(3,777,030)
Non-deductible costs	966,005	(94,256)
Impairment	(10,849,524)	-
Deferred consideration payable fair value movement	-	(146,946)
Income tax losses not recognised	(12,038,628)	(1,416,081)
Temporary difference not recognised	(10,998,221)	1,849,434
Adjustments in respect of prior years	855,439	
Other	(868,302)	
Income tax benefits / (expense)	**(868,302)**	**(76,422)**

Deferred tax assets/(liabilities) arise from the following:

2023	Opening Balance	Recognised in Profit or Loss	Recognised in equity	Closing Balance
Trade and other receivables	420,814	(3,046,331)	-	(2,625,517)
Inventories	291,427	(7,764,523)	-	(7,473,096)
Intangible assets	(11,540,569)	11,902,003	-	361,434
Plant and equipment	(201,689)	428,603	-	226,914
Right of use assets	(339,298)	918,371	-	579,073
Lease Liabilities	494,734	(1,212,501)	-	(721,767)
Trade and other payables	114,387	(117,392)	-	(3,005)
Provisions	306,873	(794,561)	-	(487,688)
Carried forward tax losses	10,020,424	868,378	-	10,888,802
Capital raising costs	432,897	(1,178,047)	-	(745,150)
	-	-	-	-

[1] New Zealand statutory tax rate is 28%. China statutory tax rate is 2.5% as the taxable income is less than RMB 1 million. USA statutory tax rate is 21%.

2022	**Opening Balance**	**Recognised in Profit or Loss**	**Recognised in equity**	**Closing Balance**
Trade and other receivables	499,051	(78,237)	-	420,814
Inventories	2,178,991	(1,887,564)	-	291,427
Intangible assets	(12,207,973)	667,404	-	(11,540,569)
Plant and equipment	(311,705)	110,016	-	(201,689)
Right of use assets	(486,772)	147,474	-	(339,298)
Lease Liabilities	649,423	(154,689)	-	494,734
Trade and other payables	72,070	42,317	-	114,387
Provisions	213,043	93,830	-	306,873
Carried forward tax losses	8,604,343	1,416,081	-	10,020,424
Capital raising costs	789,529	(356,632)	-	432,897
	-	-	-	-

Recognition and measurement

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Bubs Australia Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group ('TCG') and Bubs Australia Limited is the head entity of the tax consolidated group.

Key estimate and judgement

Recovery of deferred tax assets
Judgement is required to be made by the group in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. As detailed

above, in the year ended 30 June 2023, Bubs has recognised deferred tax assets up to the carrying amount of deferred tax liabilities. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Probable is considered more likely than not.
Judgement is required when deferred tax assets are reviewed at each reporting date. Deferred tax assets may be reduced to the extent that it is no longer probable that future taxable profits will be available.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

Changes in expectations for the future performance of the business may impact the amount of deferred tax assets recoverable and recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised.

At 30 June 2023, the Group had $9,054,870 (2022: $8,347,931) of unrecognised tax losses and $39,939,475 (2022: 8,381,876) of unrecognised temporary differences.

C. Operating assets and liabilities

This section provides details of the Group's operating assets, and liabilities incurred as a result of trading activities, used to generate the Group's performance.

C1. Trade and other receivables

	30/06/2023 $	30/06/2022 $
Trade debtors	14,373,217	23,980,727
Allowance for credit losses	(6,776,007)	(21,752)
Other receivables	266,983	840,030
Receivable from associates	50,395	51,919
Total	**7,914,587**	**24,850,924**

During the year $5.7m was provided in relation to debt owed by the Group's customers in China, with whom the Group is in litigation. Furthermore, $0.9m was provided for Buy Buy Baby in the USA following its bankruptcy.

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

	Trade receivables - days past due						
30/06/2023	**Not past due**	**<30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Estimated total gross carrying amount at default	127,600	13,455	35,611	850,598	1,066,149	4,682,594	6,776,007
Provision for credit losses							6,776,007

	Trade receivables - days past due						
30/06/2022	**Not past due**	**<30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Estimated total gross carrying amount at default	6,586	1,334	1,504	390	274	11,664	21,752
Provision for credit losses							21,752

The Group's exposure to credit risks related to trade and other receivables are disclosed in Note D2 Financial risk management.

Recognition and measurement

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under *AASB15 Revenue from Contracts with Customers*. Further details are disclosed in Note B2 Revenue.

Financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The Group's trade and other receivables and financial assets are measured at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The Group adopted a forward-looking expected credit loss (ECL) approach for impairment losses for ECLs for financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Key estimate and judgement

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

C2. Inventories

	30/06/2023	**30/06/2022**
	$	**$**
Raw materials	13,911,736	17,809,568
Finished goods	6,855,756	10,650,600
Total	**20,767,492**	**28,460,168**

The amount of inventory that was written off during the year was $ 1,129,736 (2022: $882,084).
Having regard to the significant inventories on hand at 30 June 2023, the expiry dates of the inventory and sales forecasts, management has recognised an inventory obsolescence provision of $ 25,226,924 (2022: Inventory provision reversal $5,892,852) was recognised during the year. The cost of inventories recognised as an expense during the year was $ 42,195,685 (2022: $65,450,857).

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using weighted average methods. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Key estimates and judgements

Recovery of inventory

Estimation of net realisable value includes assessment of expected future turnover of inventory held for sale and the expected future selling price of such inventory. Management assessed the recoverability of inventories based on changes in trading and economic conditions, and changes in country specific regulations that may impact these estimations in future periods. This expected turnover method is also used to determine the realisable use of ingredients, including powder.

C3. Other assets

Current	**30/06/2023** **$**	**30/06/2022** **$**
Prepayments and other assets	615,777	562,292
Deposits paid	490,656	402,342
Prepayment for purchase of raw materials	1,518,047	8,865,661
	2,624,480	9,830,295
Non-current		
Security bond	549,145	539,845
	549,145	539,845

Recognition and measurement

Prepayment for purchase of raw materials

Prepayment for purchase of raw materials represent payments for purchases of raw materials prior to ownership passing to the Group.

Deposits paid.

Deposits paid represent payments to suppliers in relation to goods not received or services not rendered. These deposits are refundable to the Group.

Security bond
Security bond represents payments to the landlord securing the obligations of the Group under the lease contract of the Deloraine Dairy site.

C4. Plant and equipment

Recognition and measurement

	Building and improvements	Production equipment	Motor Vehicle	Office equipment	Total
Cost	**$**	**$**	**$**	**$**	**$**
As at 30 June 2021	1,502,807	3,568,600	25,000	191,295	5,287,702
Additions	134,639	277,771	-	162,686	575,096
Disposals	(1,710)	-	-	(33,098)	(34,808)
As at 30 June 2022	1,635,736	3,846,371	25,000	320,883	5,827,990
Additions	71,967	238,546	-	183,686	494,199
Disposals	-	(6,557)	(25,000)	(3,150)	(34,707)
As at 30 June 2023	1,707,703	4,078,360	-	501,419	6,287,482
Accumulated depreciation and impairment					
As at 30 June 2021	(297,422)	(743,725)	(6,383)	(93,411)	(1,140,941)
Depreciation	(82,559)	(211,635)	(1,900)	(53,188)	(349,282)
Impairment	-	-	-	-	-
Disposals	250	-	-	28,839	29,089
As at 30 June 2022	(379,731)	(955,360)	(8,283)	(117,761)	(1,461,134)
Depreciation	(90,625)	(232,556)	(264)	(78,540)	(401,985)
Impairment	-	-	-	-	-
Disposals	-	5,531	8,547	-	14,078
As at 30 June 2023	(470,356)	(1,182,385)	-	(196,301)	(1,849,041)
Net book value					
As at 30 June 2022	**1,256,005**	**2,891,011**	**16,717**	**203,122**	**4,366,855**
As at 30 June 2023	**1,237,348**	**2,895,975**	**-**	**305,117**	**4,438,440**

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Building and improvements	15-20 years
Production equipment	12-19 years
Motor Vehicle	10 years
Office equipment	10 -20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

C5. Intangible assets

	Goodwill	Brand name	Licence	Priority right	Customer contract/list	Recipes	Patents, trademarks and software	Total
	$	$	$	$	$	$	$	$
Cost								
As at 1 July 2021	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	104,260	**142,507,166**
Additions	-	-	-	-	-	-	2,850	**2,850**
Disposals	-	-	-	-	-	-	-	**-**
As at 30 June 2022	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	107,110	**142,510,016**
Additions	-	-	-	-	-	-	8,970	**8,970**
Disposals	-	-	-	-	-	-	-	**-**
As at 30 June 2023	90,614,673	4,691,634	38,489,095	1,800,000	6,759,764	47,740	116,080	**142,518,986**
Accumulated amortisation and impairment								
As at 1 July 2021	(90,040,602)	-	(6,941,940)	(1,800,000)	(2,359,738)	(47,740)	(49,822)	**(101,239,842)**
Amortisation	-	-	(1,593,420)	-	(620,609)	-	(11,748)	**(2,225,777)**
Impairment	-	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	-	**-**
As at 30 June 2022	(90,040,602)	-	(8,535,360)	(1,800,000)	(2,980,347)	(47,740)	(61,570)	**(103,465,619)**
Amortisation	-	-	(1,047,473)	-	(620,599)	-	(15,436)	**(1,683,508)**
Impairment	-	(4,100,000)	(28,906,262)	-	(3,158,819)	-	-	**(36,165,080)**
Disposals	-	-	-	-	-	-	-	**-**
As at 30 June 2023	(90,040,602)	(4,100,000)	(38,489,095)	(1,800,000)	(6,759,764)	(47,740)	(77,006)	**(141,314,207)**
Net book value								
As at 30 June 2022	574,071	4,691,634	29,953,735	-	3,779,417	-	45,540	**39,044,397**
As at 30 June 2023	574,071	591,634	-	-	-	-	39,074	**1,204,780**

Recognition and measurement

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Goodwill

Goodwill is recognised on business acquisitions, representing the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Brand names

Brand names in Infant Food Co and Nulac Foods CGUs are considered to have an indefinite life and are not amortised. As at 30 June 2023, these assets were tested for impairment.

Licence

The licence represents the CNCA (Certification and Accreditation Administration of the People's Republic of China) licence that Deloraine Dairy currently holds. The licence is amortised on a straight-line basis over the period of the expected benefit, being the finite life of 22 years.

Customer contract/list

Customer contract/lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being the finite life of 10 years.

Impairment testing for cash-generating units (CGUs) including goodwill.

Goodwill and brand names allocation

For the purposes of impairment testing, goodwill and other intangible assets are allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill and brand names are monitored by internal management and are no higher than an operating segment. Goodwill and intangible balances are allocated to the Group's CGUs as follows:

	2023	**2022**
	$	**$**
Infant Food Co	1,165,705	1,165,705
Nulac Foods	-	4,100,000
Deloraine Dairy	-	-
	1,165,705	5,265,705

Recognition and Measurement

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For each CGU tested, the recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses post-tax cash flow projections that are based on the most recent budget/forecast and growth through the forecast period of 5 years. Discount rates has been updated to reflect the current market conditions.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Key estimates and judgements : This Infant Food Co CGU

The Infant Food Co	30 June 2023	30 June 2022
Compound annual growth rate in revenue (years 1-5)	4.72%	10.67%
Compound annual growth rate in expenses (years 1-5)	(0.98%)	6.78%
Discount rate (post tax)	12.88%	12.77%
Discount rate (pre-tax)	18.40%	18.24%
Terminal growth	2.50%	2.50%
Headroom	$30.3m	$20.2m

The impairment assessment concluded that the recoverable amount exceeds the carrying amount for The Infant Food Co CGU at 30 June 2023. As a result, no impairment of goodwill and intangible assets has been recognised for this CGU.

Sensitivity Analysis

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

- Revenue growth
- Expense growth
- Discount rates
- Terminal growth rates

Revenue Growth

Revenue projections have been constructed with reference to the FY23 results and five -year forward looking plans with the earlier years being estimated with reference to volume assumptions based on known opportunities, while years thereafter are adjusted for performance trends across the particular regions. The five year revenue growth focus assumes that full FDA registration will be obtained in FY25 for the US market. Should the registration be unsuccessful and the shortfall in revenue cannot be substantiated by other opportunities, further impairment on intangible and other assets may be required.

Discount rates
Discount rates represent the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying cash flows expected from the CGU being assessed. CGU specific risk is incorporated by applying beta factors. The discount rate calculation is based on the specific circumstances of each CGU and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The Cost of equity is derived from the expected return on investment by the CGU's investors. The cost of debt is derived from the interest rate of the CGU's working capital facility.

Terminal growth rate
The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. The terminal growth rate has not changed since 30 June 2022.

Expenses
Management forecasts operating costs based on the current structure of the business, adjusting for inflationary increases but not reflecting future restructuring and cost-saving measures.

Having regard to the current business performance, holding all other assumptions constant, the following changes or higher in the key inputs could cause the carrying amount to exceed the recoverable amount.

	Infant Food Co
Compound annual decrease in Revenue (years 1-5)	8.88%
Compound annual growth rate in expenses (years 1-5)	1.63%

Impairment to Deloraine Dairy and Nulac CGUs

The cash flow projections included in the value in use models for these CGUs have been adjusted for the slower-than-expected consumer offtake in the key markets and the transition from previous Management's strategy which was heavily reliant on success in China. As a result, the carrying amounts of these two CGUs was determined to be higher than the recoverable amounts and an impairment loss of $36,165,180 (30 June 2022: Nil) was recognised.

30 June 2023	**Deloraine Dairy**	**Nulac**
	$	**$**
Carrying amount	15,307,829	6,318,567
Recoverable amount	4,762,454	693,995
Impairment loss*	10,545,375	5,624,572

**Impairment loss of $19,999,995 was recognised in the Deloraine CGU on 31 December 2022*

The impairment loss has been fully allocated to the following intangible assets and has been included in the consolidated statement of profit or loss and OCI:

- Deloraine CGU – CNCA Licence: $28,906,262 and Customer contract: $1,634,246

- Nulac CGU – Brand name: $4,100,000 and customer lists: $1,524,572

Value in use as at 30 June 2023 was determined similarly to the 30 June 2022 impairment test, and was based on the following key assumptions:

	30 June 2023		**30 June 2022**	
	Deloraine	Nulac Foods	Deloraine	Nulac Foods
Compound annual growth rate in revenue (Years 1-5)	2.79%	5.39%	25.52%	9.58%
Compound annual growth rate in expenses (years 1-5)	4.85%	4.41%	1.24%	6.33%
Discount rate (post tax)	14.33%	14.33%	11.78%	11.78%
Discount rate (pre-tax)	20.47%	20.47%	16.86%	16.86%
Terminal growth	2.50%	2.50%	2.50%	2.50%

Following the impairment losses recognised in the Group's Deloraine Dairy and Nulac CGUs, the recoverable amounts equal the carrying amounts. Therefore, any adverse change in a key assumption may result in further impairment.

If there was an increase of 1% to the discount rate, it would result in a further impairment of $0.7m in Deloraine and $0.1m in Nulac. A decrease of 1% to the revenue annual growth rate would result in a further impairment of $0.7m in Deloraine and $0.4m in Nulac and if there was a decrease of 1% to the terminal growth rate, it would result in a further impairment of $1.9m in Deloraine and $0.01m Nulac. A 1% increase in expenses would result in further impairment of $1.9m in Deloraine and $0.2m in Nulac.

C6. Trade and other payables

	30/06/2023	**30/06/2022**
	$	**$**
Trade payables	11,653,901	15,866,769
Other payables	433,038	3,898,429
Customer deposits	4,545,453	7,709,503
Payable to associates	41,372	15,627
Total	**16,673,764**	**27,490,328**

Recognition and measurement

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost due to their short-term nature, and they are not discounted. They represent liabilities recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services. The amounts are unsecured.

The carrying value of trade and other payables approximates their fair value.

Customer deposits

Customer deposits are cash considerations received from customers, for which the Group has not yet provided goods or services in exchange.

C7. Contract liabilities

	2023	2022
	$	$
Contract liabilities	124,307	46,750
Total	**124,307**	**46,750**

Recognition and measurement

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, contract liabilities are recognised when the payment is made, or the payment is due (whichever is earlier). Income received in advance are recognised as revenue when the Group satisfies the performance obligations under the contract.

C8. Leases

Right of use assets

	Buildings	Equipment	Total
	$	$	$
Cost			
At 1 July 2021	2,444,996	76,042	2,521,038
Additions	1,269,737	-	1,269,737
At 30 June 2022	3,714,733	76,042	3,790,775
Additions	76,868	39,343	116,211
At 30 June 2023	3,791,601	115,385	3,906,986
Depreciation and impairment			
At 1 July 2021	(862,138)	(36,325)	(898,463)
Depreciation	(473,562)	(18,019)	(491,581)
At 30 June 2022	(1,335,700)	(54,344)	(1,390,044)
Depreciation	(565,818)	(20,880)	(586,698)
At 30 June 2023	(1,901,518)	(75,224)	(1,976,742)
Carrying amount			
At 30 June 2022	2,379,033	21,698	2,400,731
At 30 June 2023	1,890,083	40,161	1,930,244

The Group leases several assets including buildings and IT equipment. The lease terms range from 1.2 – 10 years (2022: 1.2 - 10 years).

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

Amounts recognised in profit and loss.

	30/06/2023	30/06/2022
	$	$
Depreciation expense on right-of-use assets	586,699	491,581
Interest expense on lease liabilities	127,474	127,585
Expense relating to short-term leases	70,103	114,723

The total cash outflow for leases amount to $512,963 (2022: $643,214).

Lease liabilities

	30/06/2023	30/06/2022
	$	$
Current	679,239	615,875
Non-current	1,726,648	2,302,975
	2,405,887	**2,918,850**
Maturity analysis		
Year 1	791,602	740,511
Year 2	806,050	752,891
Year 3	681,537	772,529
Year 4	298,515	663,587
Year 5	1,496	280,565
Onwards	-	-
	2,579,200	**3,210,083**
Less interest	173,312	291,233
Total	**2,405,887**	**2,918,850**

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

Recognition and measurement

Applying AASB 16 Leases, for all leases, the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

- Lease incentives (e.g., rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 Leases they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

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

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

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

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

C9. Borrowings

	2023	2022
	$	$
Current	2,000,000	2,000,000
	2,000,000	2,000,000

The Group has a working capital facility with National Australia Bank. Total limit of the facility is $10 million (2022: $10 million) with $2 million drawn as at 30 June 2023 (2022: $2 million). This security is categorised as a level 2 security within the fair value hierarchy. Post 30 June 2023, the facility has been renewed for a further 12 months to September 2024, refer to Going concern disclosures in Note A.

Recognition and measurement

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.
The carrying value of borrowings approximates their fair value due to relatively short term maturity.

C10. Provisions

	30/06/2023	30/06/2022
	$	$
Current		
Annual leave and long service leave	951,796	804,169
Other provision	1,487,173	235,616
	2,438,969	1,039,784

Non - Current		
Long service leave	162,176	116,630
Make good provision	113,276	119,097
	275,452	235,727

Recognition and measurement

Annual leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.
Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.
Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Other provision

Provision made for employee retention and other employee bonuses.

C12. Deferred consideration

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

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

	Deferred consideration payable
Balance at 30 June 2021	$4,510,181
Unwinding of the deferred consideration payable recognised in profit or loss in the current period	$489,819
Deferred consideration paid in FY22	($1,000,000)
Balance at 30 June 2022	$4,000,000
Deferred consideration paid in FY23	($4,000,000)
Balance at 30 June 2023	-

The payable balance of $4,000,000 as at 30 June 2022 was paid in July 2022.

D1. Cash and cash equivalents

	2023	2022
	$	$
Cash at bank and on hand	26,052,523	16,311,005
	26,052,523	16,311,005

Interest is earned at floating rates based on daily bank deposit rates.

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.
The carrying value of cash and cash equivalents approximates their fair value.

D2. Cash flow information

Reconciliation of after tax profit with net cash flows from operating activities

	2023	2022
	$	$
(Loss) after income tax expense for the year	(108,352,842)	(11,377,544)
Income tax benefit / (expense)	868,303	76,422
Share-based payments	601,439	8,344,078
Equity Linked transaction		4,246,021
Unwinding of deferred consideration payable	-	489,819
Impairment	36,165,080	-
Depreciation and amortisation	2,320,272	3,066,910
Equity accounting profit		(87,193)
Net foreign exchange loss	(249,561)	(26,489)
Loss on disposal of plant and equipment	-	3,650
Decrease / (increase) in trade and other receivables	16,564,978	(8,821,086)
Decrease / (increase) in inventories	7,692,676	(7,913,563)
Decrease / (increase) in other assets	7,196,515	(9,292,160)
Increase / (decrease) in trade and other payables	(10,739,007)	12,141,878
Increase/ (decrease) in provisions	1,438,910	(224,580)
Net cash outflow from operating activities	**(46,493,236)**	**(9,373,837)**

D3. Contingent liabilities

From time to time entities within the Group are party to various legal actions as well as enquiries from regulators and government bodies that have arisen in the normal course of business.

The Group has several ongoing legal matters. The Group is party to ongoing negotiations to end the Chinese joint venture arrangements with Zhitong (Hangzhou) Health Technology Co., Ltd. The Group has ongoing disputes with its former CEO, Executive Chairman, two other former employees as well as well its former distributors - Alice Trading Ltd and Willis Trading Ltd. A debt recovery claim has been lodged by the Group against Alice Trading Ltd and Willis Trading Ltd.

The outcome of currently pending and potential future legal actions, regulatory, administrative and government enquiries of a legal nature cannot be predicted with certainty. Such matters can raise complex legal issues, and are subject to many uncertainties including but not limited to, the facts and circumstances of each matter.

The Group has given consideration to such matters which are or may be subject to claims, penalties and litigation as of the reporting date and are of the opinion that any liabilities arising from such action would not have a material effect on the Group's financial performance.

E. Associates

On 6 May 2019, the Group and Beingmate Baby & Child Food Co., Ltd ('Beingmate') established a joint venture company Bubs Brand Management Shanghai Co. Ltd ('Bubs Brand Management'). The Group contributed 49% of registered capital RMB 4,900,000 in FY20. In April 2021, the Group and the Beingmate reached an agreement to wind up Bubs Brand Management. As at 30 June 2023, the liquidation process of Bubs Brand Management was yet to be finalised.

Summarised financial information of the associate is set out below:

	30/06/2023	**30/06/2022**
Current assets	253,704	297,617
Non-current assets	-	-
Current liabilities	(8,354)	(18,598)
Non-current liabilities	-	-
Net assets	245,350	279,019
Loss for the year		
Revenue	-	74,454
Profit / (Loss) before tax	(32,653)	160,842
Income tax benefit	-	17,103
Profit / (Loss) for the year	(32,653)	177,945
Other comprehensive income	-	-
Total comprehensive profit / (loss) for the year	(32,653)	177,945

Reconciliation of the above summarised financial information to the carrying amount of the investment in Associate recognised in the consolidated financial statements.

Net assets of associate	245,350	279,019
Proportion of the Groups ownership interest in the associate (49%)	120,171	136,770
Carrying amount of the investment in the associate	120,171	136,770

On 19 June 2020, Capela Dairy Nutrition Co. Pty Ltd ('Capela Dairy') was established and was a wholly owned subsidiary of the Group. On 1 March 2021, 80% interest in Capela Dairy was transferred to Grand Products Investment Pty Ltd ('Grand Products') at a price of $80. The Group is not required to contribute any working capital.

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

Summarised financial information of the associate is set out below:

	30/06/2023	**30/06/2022**
Current assets	4,122	4,122
Non-current assets	-	-
Current liabilities	(51,300)	(51,300)
Non-current liabilities	-	-
Net assets	(47,178)	(47,178)
Loss for the year	-	
Revenue	-	-
Loss before tax	-	(5,323)
Income tax expense	-	-
Loss for the year	-	(5,323)
Other comprehensive income	-	-
Total comprehensive loss for the year	-	(5,323)

Reconciliation of the above summarised financial information to the carrying amount of the investment in Associate recognised in the consolidated financial statements.

Net assets of associate	(47,178)	(47,178)
Proportion of the Groups ownership interest in the associate (20%)	(9,436)	(9,436)
Carrying amount of the investment in the associate	-	-

Recognition and measurement

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

The financial results of the associate are used by the Group to apply the equity method. Where associates apply different accounting policies to the Group, adjustment are made upon application of the equity method.

Investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less impairment in value.

The consolidated Statement of Profit or Loss reflects the Group's share of the results of operations of the associate.

Where there has been a change in the associates OCI or equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated Statement of Other Comprehensive Income.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured long term receivables and loans, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

F1. Subsequent events

In August 2023, the Group renewed its $10m facility with NAB under the same terms as FY22. The renewed facility expires in September 2024.

On 29 August 2023, the Group announced the appointment of Reginald Weine as CEO and Managing Director. Reg had joined the Group in April 2023 as an independent Non-Executive Director.

There have been no other subsequent events since 30 June 2023 that have significantly affected or could significantly affect the reported results from operations or financial position for the year then ended.

F2. Accounting policies and new accounting standards

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bubs Australia Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Bubs Australia Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.