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bubs®

BUBS AUSTRALIA LIMITED

(formerly Hillcrest Litigation Services Ltd) and Controlled Entities
ACN 060 094 742

Annual Report - 30 June 2017



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General Information

The financial statements cover Bubs Australia Limited for the year ended 30 June 2017. The financial statements are presented in Australian dollars, which is Bubs Australia Limited’s functional and presentational currency.

Bubs Australia Limited’s registered office and principal place of business is:

2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Company Particulars

Directors

Dennis Lin
Kristy-Lee Newland Carr
Matthew Reynolds

Alan Van Noort (13 January 2017), Jay Stephenson (22 December 2016) and Angus Middleton (22 December 2016) resigned during the year.

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:
2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

Share registry

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

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Australian Stock Exchange

ASX Code: BUB

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Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

The directors present their report together with the consolidated financial statements of the Group comprising of Bubs Australia Limited (the 'Company') and its subsidiaries for the financial year ended 30 June 2017 and the auditor's report thereon.

On 6 October 2016, the Company announced to the ASX that it had entered into the Share Sale Agreement to acquire 100% of the issued shares of The Infant Food Holding Co. Pty Limited and its controlled entities. The Company successfully completed the acquisition on 20 December 2016. Under Australian Accounting Standards, this acquisition was treated as a 'reverse acquisition', whereby the accounting acquirer was deemed to be IFHC and Bubs Australia Limited (formerly Hillcrest Litigation Services Limited) was deemed to be the accounting acquiree.

The Board of Directors

The names of the directors in office at any time during or since the end of the financial year are:

Dennis Lin: GradDipAppFin, CA, Solicitor of the Supreme Court of Queensland – Chairman and Non-Executive Director (appointed 22 December 2016)

Mr Lin is a Partner of BDO in Australia and the firm's China Advisory Services national leader. He advises on commercial aspects of transactions and acts as the lead advisor to foreign entrepreneurial investors on merger and acquisition and capital markets activities, with particular interests in food and agribusiness, and technology sectors. His focus is in facilitating the growth of businesses as they become public, particularly in relation to corporate level reporting and governance. Mr Lin was previously a specialist tax practitioner for over 10 years with Mallesons, PricewaterhouseCoopers and Deloitte. He speaks fluent Chinese Mandarin, and is a Chartered Accountant and Solicitor of the Supreme Court of Queensland and remains a current practitioner of both professions. He is a director of BDO (Qld) Pty Ltd.

Mr Lin has not held any other Directorships in publically listed companies in the past three years.

Ms Kristy-Lee Newland Carr: BBus (Bachelor Degree of Business) – Managing Director (appointed 22 December 2016)

Ms Carr is currently the Managing Director of Bubs Australia Limited, has a Bachelor of Business Degree (Queensland University of Technology) and was co-founder of the BUBS brand and product range. She has an in-depth knowledge of all facets of the infant category, and she oversees the company's business development, marketing, and retail industry relations. Prior to co-founding the BUBS brand of products, Ms Carr was International Communications Strategist for Cathay Pacific in Hong Kong. Having lived in Asia and travelled extensively throughout China for over a decade, she has a deep understanding of BUBS' target market in Asia. As a mother of three, Ms Carr has first-hand experience when it comes to new product development and mum-to-mum insight.

Ms Carr has not held any other Directorships in publically listed companies in the past three years.

**Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017**

The Board of Directors (continued)

Mr Matthew Reynolds: B.Sc (Hons), LLB (Hons), MQLS - Non-Executive Director (appointed 22 December 2016)

Mr Reynolds is a Partner at HWL Ebsworth lawyers who specialises in capital markets (retail and wholesale), debt capital markets (wholesale) and mergers and acquisitions (public and private) including private equity. He holds a Bachelor of Political Science & Economics (Hons) and a Bachelor of Laws (Hons) and is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society. Mr Reynolds is currently a director on the ASX listed Axcess Today Limited (ASX: AXL), and holds directorships in unlisted companies including local subsidiaries of Thai-listed Minor International PLC, Ignite Energy Limited.

Mr Reynolds was a director in publically listed G8 Education Limited (ASX: GEM) retiring from the board on the 31st of August 2017.

Mr Alan van Noort: B.Juris LLB – Former Chairman and Executive Director (resigned 13 January 2017)

Mr Alan van Noort (appointed 1998) is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1979 to 1991, Mr van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders' rights. Since 1991, Mr van Noort has been involved in the management and administration of publicly listed companies.

Mr van Noort has not held any other directorships in publicly listed companies in the last 3 years.

Mr Angus Middleton: SA Fin, MSAA – Former Non-executive Director (resigned 22 December 2016)

Mr Angus Middleton is a fund manager and former stockbroker who has extensive experience in the capital markets sector in Australia. He is currently a director of SA Capital Pty Ltd, a corporate advisory firm specialising in equity raisings and underwriting, and the managing director of SA Capital Funds Management Limited, an Adelaide based investment fund. Mr Middleton is presently a Director of Excalibur Mining Corporation Ltd and Non-executive Director of Aphrodite Gold Ltd.

Mr Middleton has not held any other directorships in publicly listed companies in the last 3 years other than the above.

**Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017**

The Board of Directors (continued)

Mr Jay Stephenson: MBA, FCPA, FGIA, MAICD, CPA (Canada), CMA (Canada) – Former Non-executive Director (resigned 22 December 2016), Company Secretary

Mr Stephenson has been involved in business development for over 25 years including approximately 21 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, IT, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies. Mr Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants (Australia), a Chartered Professional Accountant (Canada), a Certified Management Accountant (Canada), a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Mr Stephenson has not held any other directorships in publicly listed companies in the last 3 years.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Jay Stephenson – appointed 1 September 2015

Directors' meetings

During the year ended 30 June 2017 there were a total of 5 meetings of the Board of Directors held. The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Number of meetings held during the time the Director held office	Number of meetings attended
D Lin	3	3
K Newland Carr	3	3
M Reynolds	3	3
A R Van Noort	2	2
J R Stephenson	2	2
A J L Middleton	2	2

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Principal activities

The principal activity of the Company during the course of the year changed from the conduct of litigation funding business, to a specialist in the development and marketing of premium range Australian made organic baby food and infant milk formula products. This change occurred after the Company completed the acquisition of 100% of The Infant Food Holding Co. Pty Limited (IFHC) and its subsidiaries on 20 December 2016. Under AASB 3 *Business Combinations* this was treated as a 'reverse acquisition', whereby the accounting acquirer was deemed to be IFHC and Bubs Australia Limited (formerly Hillcrest Litigation Services Limited) was deemed to be the accounting acquiree.

Given IFHC is considered to be the parent for accounting purposes, the consolidated financial statements represent a continuation of the financial statements of IFHC, with the exception of the capital structure. The results for the year ended 30 June 2017 comprise the results of the IFHC for the full year and the results of Bubs Australia Limited subsequent to the acquisition. Similarly, the statement of cash flows and statement of changes in equity reflect the movements in cash flow and changes in equity of IFHC for the full year and the results of Bubs Australia Limited subsequent to the acquisition. Unless otherwise stated, the comparative information provided is that of IFHC. Further detail on the accounting for thereverse acquisition is detailed in Note 4 to the financial statements

There were no other significant changes in the nature of the activities of the Group during the year.

Objectives

The Group's objectives are set out below:

Increase market penetration

The Group's products are widely available throughout Australia and select international markets. Distribution opportunities to grow the products' accessibility at key retail touch points, in supermarkets, pharmacy, specialty organic and health food outlets as well as e-commerce channels are being explored. Various of the Group's products are currently available through the majority of Coles Supermarkets and in Big W, Costco, Chemist Warehouse and leading pharmacy wholesalers Sigma and Symbion.

Furthermore, the Group will seek to optimise the brand's promotional effectiveness to build the rate of sale, particularly in the infant milk formula market. It also intends to play an active role championing the benefits of "organic" in the infant food category.

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Brand awareness and impact at point of purchase

The Group will be undertaking a brand refresh to re-establish its core brand credentials and drive consumer awareness. This may assist in increased demand for the products and brand proposition. To date, the Group's marketing has been driven by word-of-mouth, with encouraging peer referrals. The Group will seek to engage existing and new consumers via digital and direct marketing strategies and invest in communications and content that will further resonate with consumers. The increase in marketing investment will support growth ambitions and aim to secure both consumer and retailer engagement with the brand, the existing product portfolio, and new product development.

Innovation and product development

The Group will look to expand its share of the infant category through innovation and product development. The brand will drive growth by looking to participate in higher value product segments and seeking to disrupt the existing categories. The Group will continue to develop infant and toddler products for every stage of a baby's development, ensuring the business is commercially agile to identify and exploit new opportunities in the industry. In the infant food category, the Group has over a decade of organic supply chain experience and relationships. It will seek to leverage the trust and experience it has built to increase relevance in both domestic and international markets. Taking advantage of existing partnerships will assist the Group to increase market penetration.

An enhanced international focus

There is a recognised demand internationally for organic and Australian infant food and formula. Current sales platforms in China, South East Asia and the United Arab Emirates emerged due to the Group's Australian provenance and may be enhanced with resources dedicated towards growth. Expanding the international business strategy capabilities will be a focus of the Group. The Group already has relationships with retail and e-commerce operators such as Kaola NetEase, RED (Xiaohongshu), Dairy Farm, NTUC FairPrice, Tmall Global and JD.com. By scaling up operations, these channels may provide potentially significant growth opportunities and ready access to new markets beyond China's largest cities.

In addition to trading platforms, the Group has entered into an agreement with Brilite Nutritionals (Shanghai) Co., Ltd ("Brilite") as its exclusive partner and an authorised distributor in China, with a primary focus on mother and baby stores. Brilite has undertaken to provide material assistance with finalising regulatory approvals for all of Bubs infant formula and organic baby food products.

Review of operations and financial results

The operating loss of the Group after income tax for the financial year was \$5,059,242 (2016: \$1,289,249).

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

A review of the operations of the Group during the financial year and the results of those operations are as follows:

1. The Company's business:

Following completion of the Company's acquisition of The Infant Food Holding Co. Pty Limited and its subsidiaries on 20 December 2016, the principal activity undertaken during the year changed from the management of a litigation funding business, to the development and marketing of a premium range of Australian made organic baby food and infant milk formula products.

2. Understanding the results:

Since the change in principal activities, the income stream of the Group is represented by sales of finished product.

Included in the net loss of \$5,059,242, is Corporate transaction accounting expense relating to the reverse takeover of \$1,722,893 and employee expenses of \$1,254,166. The Remuneration Report, below, outlines the employee expenses paid to key management personnel.

3. Financial position:

The Group currently hold \$5,306,746 in cash.

The cash available has significantly increased during the year due to the successful capital raising during the year.

The Directors are confident of the Group's ability to continue as a going concern and meets its debts and future commitments as and when they fall due and payable.

4. Business strategies:

The Group will continue of the path of focusing on its objectives.

To achieve its objectives, the Group is dependent on:

- *Raw materials and ingredient supply:* the Group will continue to work closely with its suppliers at all stages of production to maintain its secure broad network of trusted suppliers, from large multinationals to small family-owned farms, who reliably source, grow, manufacture, test, pack and deliver our products.
- *Production agreements:* the Group's operating model relies on outsourced production to improve operational efficiencies and allow for an asset-light, streamlined business. The Group develops the necessary intellectual property to produce its products (including the trademarks, artwork, product formulations, recipes and specifications), then works with the key partners to deliver the finished goods to market. Stable and ongoing production agreements with long-term manufacturers have promoted efficiency and reduced costs, however the Group regularly investigates the market to review pricing, quality and overall service levels. The Group manages outsourcing risks by:
 - i. ensuring that counterparties are financially sound with a good reputation;
 - ii. reviewing counterparty proposals for the requisite authorisations and approvals from certifying bodies; and
 - iii. maintaining close working relationships with senior staff and production teams at all stages of the manufacturing process.

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

4. Business strategies (continued):

- *Management expertise:* The senior management of the Group have 40 collective years of experience in the fast moving consumer goods and infant food industry, including Bubs, Mars Inc., HJ Heinz, PZ Cussons and five:am organics, which is crucial to its success.

Significant changes in the state of affairs

Since 2004, the company had predominantly operated as a litigation funding business focussed on providing funds to enable a party to meet the cost of pursuing a legal claim; in return for receiving a percentage of the amount recovered under the claim.

On 6 October 2016, the Company announced to the ASX that it had entered into the Share Sale Agreement to acquire 100% of the issued shares of The Infant Food Holding Co. Pty Limited and its controlled entities. Upon successful settlement of the acquisition, the company has focused on developing and operating the Bubs business during the financial year ended 30 June 2017.

Environmental regulations

Cuprifex Mining NL (a former wholly owned subsidiary) previously held mining tenements in Queensland. As a result of the surrendering of those tenements, the Company recognised a rehabilitation provision equal to \$50,000 in December 1999. The Company also lodged a security deposit of \$50,000 in December 1999 with the Department of Mines and Energy. As the possibility of any claim being made was considered to be so remote, the value of this provision and the corresponding security deposit were derecognised in 2012.

The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Events Subsequent to the End of the Reporting Period

On 8 September 2017 the Company issued 35,467,243 ordinary shares through a private placement at \$0.45 to raise \$15,950,259 before costs.

Other than this event, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice and potential commercial disadvantage to the Group.

Dividends

No dividends have been paid or declared since the start of the financial year.

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Remuneration report (Audited)

This remuneration report outlines the director remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its regulations.

Key management personnel remuneration are disclosed on two bases:

- remuneration and comparatives related to the key management personnel of the legal parent company Bubs Australia Limited (formerly Hillcrest Litigation Services Limited).
- remuneration and comparatives related to the key management personnel of the Bubs Australia Limited group which for accounting purposes is reflected as a continuation of The Infant Food Holding Co Pty Ltd and its controlled entities.

The names of the key management personnel in office at any time during or since the end of the financial year are as follows:

Bubs Australia Limited (parent company)

- Dennis Lin (Non-Executive Chairman) – appointed 22 December 2016
- Kristy-Lee Newland Carr (Managing Director) – appointed 22 December 2016
- Matthew Reynolds (Former Non-Executive Director) – appointed 22 December 2016
- Jay Stephenson (Non Executive Director – Resigned 22 December 2016) & Company Secretary
- Alan Van Noort (Former Executive Director & Chairman) – Resigned 13 January 2017
- Angus Middleton (Former Non-Executive Director) – Resigned 22 December 2016
- Nicholas Simms (Chief Executive Officer from 8 June 2017, formerly Commercial Director) – from reverse acquisition on 20 December 2016
- Anthony Gualdi (Operations Director) – from reverse acquisition on 20 December 2016

Bubs Australia Limited group (continuation of Infant Food Holding Co Pty Ltd and its controlled entities)

- Dennis Lin (Non-Executive Chairman) – appointed 22 December 2016
- Kristy-Lee Newland Carr (Managing Director)
- Matthew Reynolds (Former Non-Executive Director) – appointed 22 December 2016
- Jay Stephenson (Company Secretary) – from reverse acquisition on 20 December 2016
- Alan Van Noort (Former Executive Director & Chairman) – from reverse acquisition on 20 December 2016, resigned 13 January 2017
- Nicholas Simms (Chief Executive Officer from 8 June 2017, formerly Commercial Director)
- Anthony Gualdi (Operations Director)

Principles used to determine the nature and amount of remuneration:

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Bubs Australia Limited and Controlled Entities
Directors Report
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Structure

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst the directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No external consultants were used for the current year. The overall level of executive reward takes into account the performance of the Company over a number of years.

The following is a summary of the Bubs Australia Limited revenue over the last four years:

	2017	2016	2015	2014
Revenue/\$	3,945,255	3,659,328	1,818,770	1,134,091

The remuneration of key management personnel does not include any performance bonuses and is not based on any performance measures. The 2016 Remuneration Report was carried on a show of hands as an ordinary resolution at the Annual General Meeting held on 8 December 2016. There were no specific comments received on the remuneration report at the AGM.

The Company's constitution provides that directors shall be paid fees as remuneration for their services as directors provided that the maximum aggregate amount so paid does not exceed the amount set by shareholders in general meeting. Shareholders set the maximum aggregate amount that may be paid to directors as remuneration for their services as directors at \$300,000 per annum at the Company's AGM held on 18 November 2009 (the maximum previously being \$150,000 per annum as set by shareholders at a general meeting held on 6 February 2006). The Board's present policy is that all directors be paid \$30,000, per annum, inclusive of superannuation in accordance with statutory rates as remuneration for their services as directors.

Employment Contracts

Remuneration and other terms of employment for the executive director, Alan van Noort, who resigned on 13 January 2017, were formalised through an employment contracts. The major provisions of his contract were as follows:

- Base salary was \$200,000 per annum plus superannuation in accordance with the statutory rates.
- Insurance cover provided under Directors and Officers Liability.
- A period of one month's notice required upon termination.

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Employment Contracts (continued)

Remuneration and other terms of employment Nicholas Simms who commenced as a commercial director on 1 October 2016 and was appointed as Chief Executive Officer on 8 June 2017 are as follows:

- Base salary of \$200,000 per annum plus superannuation in accordance with the statutory rates.
- Insurance cover provided under Directors and Officers Liability.
- No defined term.
- 3,578,108 options (issued January 2017)*

*These options were granted prior to Nicholas Simms being appointed as Chief Executive Officer, as part of his compensation as a commercial director of the company. These options were issued as an incentive for Mr Simms to join the company as and accordingly are not linked to any performance-based milestones. There are no performance or service conditions required to exercise the options, and the options are not dependent on the ongoing employment of Mr Simms by the Company.

The current remuneration and other terms of employment of the executive director Kristy Carr and the operations director Anthony Gualdi are as follows

- Base salary of \$200,000 per annum plus superannuation in accordance with the statutory rate.
- Insurance cover provided under Directors and Officers Liability.
- No defined term.
- Termination benefits of 3 months of annual remuneration payable

Kristy Carr and Anthony Gualdi received their remuneration for the full financial year on the above terms.

Mr JR Stephenson contracted on a monthly basis his Company Secretary role at a rate of \$2,500 per month (\$30,000 p.a.) Additional fees for secretarial services of \$12,500 were charged in 2017 due to services performed in relation to the acquisition of Infant Food Holding Company Pty Ltd.

Other related party transactions

The lease of premises in Narrabeen was leased by Anthony Gualdi, the operations director. An expense of \$19,934 (2016: 52,322) was incurred during the 2017 year.

Dennis Lin, a Non-Executive Director is a partner in an accounting firm. The Company contracted professional service from the accounting firm to the amount of \$25,997 in 2017, with an outstanding balance at 30 June 2017 of \$22,050.

Apart from the details disclosed in this note, no director has entered into any other material contracts with the Company since the end of the previous financial year. All of the above transactions were considered to be on an arms' length basis.

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Details of remuneration

Details of the remuneration of the key management personnel of Bubs Australia Limited and its related entities are set out in the following tables.

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Bubs Australia Limited and Controlled Entities
 Directors Report
 For the year ended 30 June 2017

**Details of remuneration – Bubs Australia Limited (parent company)
 2017**

	Short Term					Long Term	Post Employment	Share based payments – options	Total*
	Salary	Annual Leave	Directors' Fees	Company Secretary Services	Insurance Premiums	Long Service Leave	Superannuation		
	\$	\$	\$	\$	\$	\$	\$		
A R Van Noort (4)	100,000	8,423	15,000	-	5,813	-	10,925	-	140,161
J R Stephenson	-	-	15,000	30,000	5,813	-	1,425	-	52,238
A J L Middleton (7)	-	-	15,000	-	5,813	-	1,425	-	22,238
K N Carr (1)	107,396	1,650	-	-	5,813	1,850	9,918	-	126,627
D Lin (2)	-	-	13,699	-	5,813	-	1,301	-	20,813
M Reynolds (3)	-	-	13,699	-	5,813	-	1,301	-	20,813
N Simms (5)	104,779	8,391	-	-	-	-	9,952	213,330	336,452
A Gualdi (6)	107,396	2,489	-	-	-	1,850	9,918	-	121,653
Total	419,571	20,953	72,398	30,000	34,878	3,700	46,165	213,330	840,995

*For the years presented there was no performance-related (e.g. bonus) remuneration

(1) Kristy-Lee Newland Carr was appointed 22 December 2016. (2) Dennis Lin was appointed 22 December 2016. (3) Matthew Reynolds was appointed 22 December 2016. (4) Alan Van Noort resigned 13 January 2017. (5) Nicholas Simms was appointed Chief Executive Office on 8 June 2017, and previously was a commercial director with the Company. (6) Anthony Gualdi is the operations director for the Company. (7) Angus Middleton resigned 22 December 2016.

The Company issued 492,750 shares to Angus Middleton and 410,625 shares to Jay Stephenson in consideration of directors fees and superannuation owing to them \$49,275 and \$41,063 respectively relating to current and prior years' service. In addition 136,875 Shares we issued in consideration for director's fees and superannuation which owing to the former director of the Company, Ian Allen of \$13,688. Mr Allen resigned as a director of the Company on 1 September 2015.

Bubs Australia Limited and Controlled Entities
 Directors Report
 For the year ended 30 June 2017

**Details of remuneration – Bubs Australia Limited (parent company)
 2016**

	Short Term						Long Term	Post Employment	
	Salary	Payment in Lieu of Annual Leave	Payment in Lieu of Long Service Leave	Directors' Fees	Company Secretary Services	Insurance Premiums	Long Service Leave	Superannuation	Total*
	\$	\$	\$	\$	\$	\$	\$	\$	\$
A R Van Noort	200,000	-	-	30,000	-	8,463	3,650	21,850	263,963
I D Allen	-	-	-	5,000	5,000	1,410	-	475	11,885
J R Stephenson	-	-	-	25,000	25,000	7,053	-	2,375	59,428
A J L Middleton	-	-	-	30,000	-	8,463	-	2,850	41,313
Total	200 000	-	-	90,000	30,000	25,389	3,650	27,550	376 589

Mr I Allen resigned as Director on 1 September 2015.

*For the years presented there was no performance related (e.g. bonus) remuneration

Bubs Australia Limited and Controlled Entities
 Directors Report
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**Details of remuneration – Bubs Australia Limited Group
 (continuation of Infant Food Holding Co Pty Ltd and its controlled entities)*
 2017**

	Short Term					Long Term	Post Employment		
	Salary	Annual Leave	Directors' Fees	Company Secretary Services	Insurance Premiums	Long Service Leave	Superannuation	Share Based Payments – Options	Total*
	\$	\$	\$	\$	\$	\$	\$	\$	\$
J R Stephenson	-	-	-	15,000	-	-	-	-	15,000
K N Carr	206,000	1,650	-	-	5,813	3,700	19,000	-	236,163
D Lin	-	-	13,699	-	5,813	-	1,301	-	20,813
M Reynolds	-	-	13,699	-	5,813	-	1,301	-	20,813
N Simms	150,000	8,391	-	-	-	-	14,250	213,330	385,971
A Gualdi	206,000	2,489	-	-	-	3,700	19,000	-	231,189
Total	562,000	12,530	27,398	15,000	17,439	7,400	54,852	213,330	909,949

* The following were directors of The Infant Food Holding Co Pty Ltd, however received no director remuneration and resigned following the reverse acquisition on 1 February 2017

- Yuan Fang (appointed 8 September 2016)
- Hugh Alexander Goldsbrough Robertson (Appointed 8 September 2016)
- Albert Yeuk Kuk Tse (Appointed 17 July 2015)
- Zetian Zhang (Appointed 17 March 2015)
- Anthony Gualdi also resigned as a director of The Infant Food Holding Co Pty Ltd on 1 February 2017, but remains a key management personnel of Bubs Australia Limited because of his ongoing role as operations director.

Bubs Australia Limited and Controlled Entities
 Directors Report
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**Details of remuneration – Bubs Australia Limited Group
 (continuation of Infant Food Holding Co Pty Ltd and its controlled entities)*
 2016***

	Short Term			Long term	Post Employment	
	Salary	Directors' Fees	Company Secretary Services	Long service leave	Superannuation	Total*
	\$	\$	\$	\$	\$	\$
2016	-	-	-	-	-	-
K N Carr	206,000	-	-	3,700	19,000	228,700
A Gualdi	206,000	-	-	3,700	19,000	228,700
Total	412,000	-	-	7,400	38,000	457,400

*The following were directors of Infant Food Holding Co Pty Ltd during the year ended 30 June 2016, however received no remuneration

- Albert Yeuk Kuk Tse (Appointed 17 July 2015, resigned 1 February 2017)
- Zetian Zhang (Appointed 17 March 2015, resigned 1 February 2017)

Bubs Australia Limited and Controlled Entities
Directors Report
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There were no amounts owing to the key management personnel of Bubs Australia Limited as at 30 June 2017. An outstanding amount of \$21,602 for annual leave and \$36,500 for long service leave however was payable to A R Van Noort, who ceased to be a key management personnel from January 2017.

Amounts owed to key management personnel of Bubs Australia limited, including their related entities, at 30 June 2016 are set out in the following table:

2016	Salary \$	Directors' fees \$	Company Secretary services \$	Total \$
A R Van Noort	100,000	37,500	-	137,500
JD Allen	-	12,500	-	12,500
J R Stephenson	-	25,000	16,500	41,500
A J L Middleton	-	30,000	-	30,000
Total	100,000	105,000	16,500	221,500

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified to the ASX, at the date of this report is as follows:

	2017 Number held ordinary shares	2016 Number held ordinary shares
K N Carr	20,761,600	-

There were no options outstanding held by directors of the company (excludes other key management personnel)

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Bubs Australia Limited and Controlled Entities
 Directors Report
 For the year ended 30 June 2017

Movement on key management personnel's ordinary shareholdings

2017	1 July 2016	Purchase of shares (pre consolidation)	Consolidation of shares ⁽⁴⁾	Shares issued in lieu of outstanding fees	Shares disposed	Purchase of Shares (post consolidation)	Other change ⁽⁵⁾	30 June 2017
A R Van Noort	83,475,471	-	(78,466,940)	-	(3,240,002)	-	-	_(1)
J R Stephenson	15,000	-	(14,100)	410,625	-	-	-	_(2)
A J L Middleton	10,903,880	2,180,776	(12,299,577)	492,750	-	-	-	_(3)
K N Carr	-	-	-	-	-	500,000	20,261,600	20,761,600
A Gualdi	-	-	-	-	-	750,000	20,261,600	21,011,600
D Lin	-	-	-	-	-	-	-	-
M Reynolds	-	-	-	-	-	-	-	-
N Simms	-	-	-	-	-	-	-	-

(1) Mr A R Van Noort held 1,768,529 shares up to his resignation date on the 12 January 2017

(2) Mr J R Stephenson resigned on 22 December 2016 but continued as a key management personnel throughout the period. At the date of his resignation he held 411,525 shares.

(3) Mr A J L Middleton held 1,277,829 up to his resignation on 22 December 2016

(4) Consolidation on a ratio of 1:0.06 new share for every previous share took place on 13 December 2016

(5) Other change relates to shares in Bubs Australia Limited received by K N Carr and A Gualdi as part of the reverse acquisition of The Infant Food Holding Co Pty Ltd (the share price in the prospectus implying a value of the shares acquired of \$2,026,160 for K N Carr and \$2,026,160 for A Gualdi respectively)

2016		1 July 2015	Shares Purchased	30 June 2016
A R Van Noort	Ordinary Shares	83,475,471	-	83,475,471
J R Stephenson	Ordinary Shares	15,000*	-	15,000
I D Allen	Ordinary Shares	34,646,720	-	-*
A J L Middleton	Ordinary Shares	10,903,880	-	10,903,880

*Mr I Allen held 34,646,720 shares until his resignation on 31st August 2015. Mr J R Stephenson held 15,000 shares at the time of his appointment as Director on 1st September 2015.

Options over equity instruments granted as compensation

Details on rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2017	Grant date	Fair value per option \$	Exercise price per option \$	Expiry date	Number of options vested during 2017
Options						
Nicholas Simms	3,578,108	20/12/2016	\$0.06	\$0.10	20/12/2019	3,578,108

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Movement during the reporting period, by number of options over ordinary shares

	Held at 1 July 2016	Granted as compensation	Exercised	Other changes	Held at 30 June 2017	Vested during the year	Vested and exercised at 30 June 2017
Options							
Nicholas Simms	-	3,578,108	-	-	3,578,108	3,578,108	-

End of Remuneration report (audited)

Corporate Governance

The Annual Corporate Governance Statement is located at the company website
www.bubsaustralia.com

Indemnification and insurance of officers

Since the end of the previous financial year the Company has paid insurance premiums of \$34,880 (2016: \$25,389) in respect of Directors' and Officers' liability insurance for current and past directors and officers. Additionally, the Company has paid insurance premiums of \$7,134 (2016: nil) in respect of Management Liability insurance.

Insurance does not indemnify the Directors and Offices where there is conduct involving lack of good faith.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

Indemnification of auditor

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young as part of the terms of its audit engagement letter against claims by third parties arising from the audit (for an unspecified amount).

Gender diversity

Gender	Total	Employees	Senior Management	Board
Female	4	3	-	1
Male	6	2	2	2
% Female	40%	-	-	-

Bubs Australia Limited and Controlled Entities
Directors Report
For the year ended 30 June 2017

Unissued shares under options

At the date of this report, unissued shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
20 December 2019	0.10	9,422,350

All unissued shares are ordinary shares of the Company.

No shares have been issued subsequent to year-end on exercise of options

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important. During the year ended 30 June 2017 and 30 June 2016 no non-audit services were provided by the company's auditor, Ernst & Young.

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is attached to this financial report.

This directors' report is signed in accordance with a resolution of the board of directors:



Dennis Lin
Chairman
Brisbane

Dated: 29 September 2017

Independent Auditor's Report to the Members of Bubs Australia Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Bubs Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of 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, except for the possible effects on the comparative information of the matter described in the Basis for Qualified Opinion section of our report, 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 2017 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 qualified opinion

The predecessor auditors of The Infant Food Holding Co. Pty Ltd (the accounting acquirer of Bubs Australia Limited during the year ended 30 June 2017) were appointed after 30 June 2015 and were not able to observe the counting of the physical inventories as at 30 June 2015 or satisfy themselves concerning those inventories by alternative means. Since opening inventory balances enter into the determination of the financial performance and cash flows, the predecessor auditors were unable to determine whether adjustments might have been necessary in respect of the income reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows for the year ended 30 June 2016. The predecessor auditor's opinion on the financial report for the year ended 30 June 2016 was modified accordingly.

Our opinion on the current year's financial report is also modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

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* (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 qualified 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. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

1. Going concern assessment

Why significant

The Group reported net operating cash outflows for the year ended 30 June 2017. Accordingly the testing of the availability of sufficient funding for the Group to meet its obligations is considered to be a key part of our going concern assessment and therefore a significant aspect of our audit. Details of the Group's going concern considerations are set out in note 2.

How our audit addressed the key audit matter

We performed the following procedures:

- ▶ We analysed the cash flow forecast and enquired with the Group to gain an understanding of the inputs and process underpinning the cash flow model prepared for the purpose of the going concern assessment.
- ▶ We assessed whether the cash flow model accurately reflected the budget that was approved by the Directors.
- ▶ We evaluated the external inputs and assumptions within the going concern model by comparing them to assumptions and estimates used elsewhere in the preparation of the financial report. In addition we considered them for consistency against our knowledge of the Group's operations.
- ▶ We assessed the sensitivities and stress testing that the Group performed on the going concern forecast.
- ▶ We assessed the possible mitigating actions identified by the Group in the event that actual cash flows are below forecast.

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2. Impairment assessment of intangible assets

Why significant

The Group performs an annual impairment assessment of goodwill and indefinite life intangible assets, while definite life intangibles are assessed for indicators of impairment.

An indicator of impairment was identified by the Group, in that the Group made a loss for the year. As such, impairment testing was performed for finite life intangible assets.

Due to the range of judgments and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the intangible assets, which represent 14% of the total assets on the consolidated statement of financial position, this is an area considered to be at risk of material misstatement.

Key assumptions, judgments and estimates used in the Group's assessment of impairment are set out in the financial report in note 2 and note 12.

How our audit addressed the key audit matter

Our procedures included assessing the assumptions and methodologies used by the Group in their value-in-use impairment model. We compared the Group's assumptions to externally derived data and our own assessments of key inputs such as projected economic growth, cost inflation and discount rates and assessed sensitivities, as well as performed break-even analysis on key assumptions.

We tested the Group's procedures around the preparation of the budget which has been approved by the Board, upon which the value-in-use impairment model is based, as well as compared the sum of projected discounted cash flows to the market capitalisation of the Group to assess whether the projected cash flows appear reasonable. We enquired with key management and the Directors to understand the key assumptions and estimates that were used. We assessed the Group's historical accuracy in achieving forecasts. We involved our own valuation specialists to support our procedures. We assessed whether the disclosures in respect of impairment considerations were adequate.

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3. Reverse acquisition of The Infant Food Holding Co. Pty Ltd

Why significant

On 20 December 2016, Bubs Australia Limited completed the reverse acquisition of The Infant Food Holding Co. Pty Ltd ("IFCO"). IFCO shareholders exchanged their shares in IFCO for shares in Bubs Australia Limited, which resulted in IFCO becoming the accounting acquirer in the reverse acquisition although Bubs Australia Limited is the legal parent. This means that Bubs Australia Limited is treated as the acquired entity for financial reporting purposes and that any other acquisition accounting relates to the Bubs Australia Limited business, not IFCO.

We focused on this transaction because of the materiality of the transaction and the significance of the associated accounting and disclosures.

Details of the reverse acquisition are set out in the financial report in note 4.

How our audit addressed the key audit matter

We evaluated the Group's assessment that:

- ▶ it is IFCO who is the legal subsidiary; and
- ▶ the former shareholders of IFCO control the combined group following the transaction, even though Bubs Australia Limited is the legal parent, concluding that IFCO should be identified as the accounting acquirer in the business combination. The transaction has been treated as a reverse acquisition on this basis.

We obtained the trial balance of Bubs Australia Limited and used this to perform the purchase price allocation and to assist with the identification of identifiable assets and liabilities in the reverse acquisition. We additionally assessed the work performed on IFCO by the predecessor auditors for the year ended 30 June 2016 which are presented in the financial report as comparative figures.

We evaluated the methodology and tested the mathematical accuracy of the calculations of the fair value of shares issued of \$6,804,862 to IFCO shareholders and to the resulting corporate transaction accounting expense of \$1,722,893.

We obtained the signed contractual agreements relating to the reverse acquisition and read significant contract terms relevant to the accounting and disclosures in the financial report.

We assessed the adequacy of the disclosures in note 4 of the financial report to assess whether all the relevant details of the reverse acquisition had been disclosed in accordance with Australian Accounting Standards.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 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 accordingly we do not express any form of assurance opinion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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.

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- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
 - ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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 11 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Bubs Australia Limited for the year ended 30 June 2017, 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



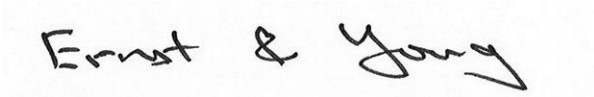
T G Dachs
Partner
Perth
29 September 2017

Auditor's Independence Declaration to the Directors of Bubs Australia Limited

As lead auditor for the audit of Bubs Australia Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



T G Dachs
Partner
29 September 2017

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Bubs Australia Limited and Controlled Entities
 Consolidated Statement of Profit or Loss and Other Comprehensive Income
 For the year ended 30 June 2017

	Notes	Consolidated	
		2017 \$	2016 \$
Revenue	5	3,945,255	3,659,328
Purchases and changes in trading stock		(3,071,505)	(2,812,406)
Distribution and selling costs		(272,106)	(243,184)
Employee costs		(1,254,166)	(775,439)
Marketing and promotion costs		(811,361)	(389,936)
Occupancy costs		(135,607)	(67,442)
Administrative and other costs		(1,077,544)	(390,902)
Share-based payment expenses	28	(561,769)	-
Corporate Transaction Accounting Expense	4	(1,722,893)	-
Depreciation and amortisation		(116,534)	(87,997)
Net interest income / (expense)		180	(200,079)
Loss before tax		(5,078,050)	(1,308,057)
Income tax benefit	7	18,808	18,808
Loss for the year		(5,059,242)	(1,289,249)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,059,242)	(1,289,249)

Loss per share

Basic (loss) per share (dollars)	27	(0.02)	(0.01)
Diluted (loss) per share (dollars)	27	(0.02)	(0.01)

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
 Consolidated Statement of Financial Position
 As at 30 June 2017

	Notes	Consolidated	
		2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	8	5,306,746	2,081,606
Trade and other receivables	9	1,368,623	753,342
Inventories	10	984,968	2,467,174
Total current assets		7,660,337	5,302,122
Non-current assets			
Plant and equipment	11	66,026	89,475
Intangible assets	12	1,275,447	1,349,067
Total non-current assets		1,341,473	1,438,542
Total assets		9,001,810	6,740,664
Liabilities			
Current liabilities			
Trade and other payables	13	1,100,168	1,120,238
Borrowings	14	-	3,557
Provisions	15	177,830	23,746
Total current liabilities		1,277,998	1,147,541
Non-current liabilities			
Borrowings	16	-	35,958
Deferred tax liabilities	18	199,338	218,146
Total non-current liabilities		199,338	254,104
Total liabilities		1,477,336	1,401,645
Net assets		7,524,474	5,339,019
Equity			
Issued capital	19	15,082,928	8,400,000
Options reserve	28	561,769	-
Accumulated losses		(8,120,223)	(3,060,981)
Total equity		7,524,474	5,339,019

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Issued Capital \$	Options Reserve \$	Accumulate d Losses \$	Total equity \$
Balance at 1 July 2015	2,000,000	-	(1,771,732)	228,268
Loss for the year	-	-	(1,289,249)	(1,289,249)
Total comprehensive loss for the year	-	-	(1,289,249)	(1,289,249)
Issue of shares	6,400,000	-	-	6,400,000
Balance at 30 June 2016	8,400,000	-	(3,060,981)	5,339,019

	Issued Capital \$	Options Reserve \$	Accumulate d Losses \$	Total equity \$
Balance at 1 July 2016	8,400,000	-	(3,060,981)	5,339,019
Loss for the year	-	-	(5,059,242)	(5,059,242)
Issue of options	-	561,769	-	561,769
Issue of shares	6,832,863	-	-	6,832,863
Capital raising costs	(149,935)	-	-	(149,935)
Balance at 30 June 2017	15,082,928	561,769	(8,120,223)	7,524,474

The accompanying notes form part of these financial statements.

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Bubs Australia Limited and Controlled Entities
 Consolidated Statement of Cash Flows
 For the year ended 30 June 2017

	Notes	Consolidated	
		2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		3,924,057	3,914,253
Payments to suppliers and employees		(6,020,531)	(6,713,979)
Interest received		12,957	-
Interest paid		(12,777)	(200,079)
Net cash used in operating activities	20	(2,096,294)	(2,999,805)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(54,813)	(73,380)
Proceeds from disposal of property, plant and equipment		27,988	-
Purchase of intangible assets	12	(990)	(44,400)
Cash acquired from reverse acquisition	4	5,510,699	-
Net cash provided by / (used in) investing activities		5,482,884	(117,780)
Cash flows from financing activities			
Proceeds from issue of shares		28,000	6,400,000
Capital raising costs		(149,935)	-
Repayment of borrowings		(39,515)	(1,252,355)
Proceeds from borrowings		-	39,515
Net cash (used in) / provided by financing activities		(161,450)	5,187,160
Net increase in cash and cash equivalents		3,225,140	2,069,575
Cash and cash equivalents at the beginning of the financial year		2,081,606	12,031
Cash and cash equivalents at the end of the financial year	8	5,306,746	2,081,606

The accompanying notes form part of these financial statements.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 1. Reporting entity

The financial statements covers 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 2017. The financial report is presented in Australian dollars, which is Bubs Australia Limited's functional and presentational currency.

Bubs Australia Limited ('Bubs') is a for-profit entity that is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The annual report was authorised for issue, in accordance with a resolution of directors, on 28 August 2017. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year. The changes in standards had no material impact on the consolidated entity's financial position or comprehensive income for the year.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

On 20 December 2016 Bubs (previously known as Hillcrest Litigation Services Limited (HLS)) acquired 100% of the ordinary share capital and voting rights of The Infant Food Holding Co. Pty Limited (IFHC) as described in the prospectus issued on 11 November 2016. Under AASB 3 *Business Combinations* this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be IFHC and HLS is deemed to be the accounting acquiree.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 2. Significant accounting policies (continued)

Given IFHC is considered to be the parent for accounting purposes, the consolidated financial statements represent a continuation of the financial statements of IFHC, with the exception of the capital structure. The results for the year ended 30 June 2017 comprise the results of the IFHC for the full year and the results of Bubs Australia Limited subsequent to the acquisition. Similarly, the statement of cashflows and statement of changes in equity reflect the movements in cashflow and changes in equity of IFHC for the full year and the results of Bubs Australia Limited subsequent to the acquisition.

The comparative information provided is that of IFHC. A reclassification has been made in the statement of comprehensive income for the comparative information of \$390,990 to decrease revenue and decrease marketing and promotion costs. This reclassification was undertaken to show rebates received on a consistent basis with the current year presentation.

The financial statements, apart from the cash flow information, have been prepared on an accruals basis and are based on historical costs, except where applicable, by the measurement at fair value of selected non-current assets and financial assets and liabilities.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity is disclosed in note 25.

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 2017 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 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are deconsolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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 consolidated entity 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 consolidated entity 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.

Income Tax

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and 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.

The company and its wholly-owned subsidiaries are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from 20 December 2016. The head entity within the tax consolidated group is Bubs Australia Limited.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rebates

Amounts disclosed as revenue are net of sales returns, rebates and trade discounts.

Current and noncurrent classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting year; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year. All other assets are classified as noncurrent.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting year; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year. All other liabilities are classified as noncurrent.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Inventories are stated at an average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 2. Significant accounting policies (continued)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Plant and equipment

Plant and equipment is 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:

Plant and equipment	2-8 years
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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 consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually.

Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or year.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the year in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the year of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer list

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and 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.

Financial Instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through the profit and loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or its transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial asset and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Note 2. Significant accounting policies (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of the three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measure at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statements of cash flows.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including nonmonetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Equity-settled compensation

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes or Monte Carlo pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For nonfinancial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and nonrecurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one year to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 2. Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date.

The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Going Concern

The accounts have been prepared on the going concern basis. This assumes that the consolidated entity will be able to pay its debts as they fall due in the normal course of business.

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 consolidated entity for the annual reporting year ended 30 June 2017.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards, most relevant to the consolidated entity, are set out below.

Disclosure Initiative -Amendments to AASB 107 (applicable to the Company for the year beginning 1 July 2017)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Note 2. Significant accounting policies (continued)

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to AASB 112 (applicable Company for the year beginning 1 July 2017)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to the Company for the year beginning 1 July 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the consolidated entity on initial application include upfront accounting for expected credit loss.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the consolidated entity's financial instruments, the actual impact of adopting AASB on the Group's consolidated financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of AASB 9 based on its positions at 30 June 2017 and not identified any significant differences.

AASB 15: *Revenue from Contracts with Customers* (applicable to the Company for the year beginning 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-

Monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

Note 2. Significant accounting policies (continued)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The Group has begun an analysis of the application of AASB15 to its operations and is planning to perform a detailed assessment of the impact resulting from the application of AASB 15 and expects to disclose additional quantitative information before it adopts AASB 15. At this stage, the Company is yet to identify any significant issues. Pending the outcome of the assessment activities and the resultant impact on revenue (if any) a decision on the transition will be made.

AASB 16: Leases (applicable to the Company for the year beginning 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

Note 2. Significant accounting policies (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group has not yet quantified the impact on its reported assets and liabilities of adoption of AASB 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to AASB 2).*
- *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 AND IAS 28).*

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables (refer Note 9)

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, use by dates, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of inventories (refer Note 10)

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets (refer Note 11)

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or nonstrategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets (refer Note 12)

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 12 for further information in relation to the goodwill calculation and subsequent measurement.

Income tax (Refer Note 7, 18)

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax.

Recovery of deferred tax assets (Note 18)

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share-based payments (Note 28)

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes or Monte Carlo pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The corresponding amount for options or performance rights is recorded to the options reserve. Details of share-based payments assumptions are detailed in Note 28.

Note 4. Reverse acquisition

On 20 December 2016, the Company, formerly named Hillcrest Litigation Services Limited ('Hillcrest') completed the legal acquisition of 100% of The Infant Food Holding Co. Pty Limited (IFHC) and changed its name to Bubs Australia Limited. The acquisition of IFHC resulted in IFHC obtaining control of the merged entity. In addition the board of directors of the merged entity was restructured such that two of the three directors stepped down and were replaced by three of IFHC's nominees. A nominee of IFHC serves as the Managing Director and the IFHC management team has assumed responsibility for the management of the merged entity. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3: *Business Combinations*. The application of the reverse acquisition guidance contained in AASB 3 has resulted in the Company (the legal parent) being accounted for as the subsidiary and IFHC (the legal subsidiary) being accounted for as the parent entity. At the time the Company's acquisition of IFHC, Hillcrest's operations did not fall within the scope of a "business" under AASB 3. Consequently, the acquisition did not meet the definition of a "business combination" under AASB 3 and the principles of AASB 3 could not be applied in their entirety.

Instead, the acquisition has been accounted for as a share-based payment transaction using the principles set out in AASB 2: *Share-based payment* whereby IFHC is deemed to have issued shares in exchange for the net assets and listing status of Bubs Australia Limited. In accordance with AASB 2, the difference between the fair value of the deemed consideration paid by IFHC and the fair value of the identifiable net assets of Bubs Australia Limited, is required to be recognised as an expense. Consequently, an expense of \$1,722,893 has been recognised as set out below. Given IFHC is considered to be the parent for accounting purposes, the consolidated financial statements represent a continuation of the financial statements of IFHC, with the exception of the capital structure. The results for the year ended 30 June 2017 include the results of IFHC for the full year and the results of Bubs Australia Limited subsequent to the acquisition. The comparative information provided is that of IFHC.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 4. Reverse acquisition (continued)

Details of the fair value of the identifiable net assets acquired and the calculation of the corporate transaction accounting expense are set out below:

	\$
Deemed purchase consideration:	
• Fair value of shares transferred	6,804,862
Fair value of consideration transferred	6,804,862
Fair value of assets and liabilities held at acquisition date:	
• Cash	5,510,699
• Trade and other receivables	3,198
• Other current assets	7,626
• Trade and other payables	(366,799)
• Provisions	(72,755)
Fair value of identifiable net assets acquired	5,081,969
Corporate transaction accounting expense	1,722,893

The net cash inflow arising as part of the reverse acquisition is \$5,510,699.

Note 5. Revenue and other income

	Consolidated	
	2017 \$	2016 \$
Revenue	3,945,255	3,659,328
Interest income	12,957	-

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Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 6. Expenses

	Consolidated	
	2017 \$	2016 \$
(Loss) before income tax includes the following specific expenses:		
Accountancy fees	132,583	34,598
Depreciation	41,924	23,350
Amortisation	74,610	64,647
Bad debts written off		2,534
Defined contribution superannuation expense	88,987	67,519
Interest expense	12,777	200,071
Foreign exchange loss	1,369	-
Total	352,250	392,719

Note 7. Income taxes

	Consolidated	
	2017 \$	2016 \$
Income tax (benefit)		
Current tax	-	-
Deferred tax	(18,808)	(18,808)
Aggregate income tax (benefit)	(18,808)	(18,808)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	(5,078,050)	(1,308,057)
Prima facie income tax at 27.5% (2016: 30%)	(1,396,464)	(392,417)
Income tax losses not recognised	654,641	380,515
Non-deductible expenses	648,800	11,902
Deferred tax assets not recognised	74,215	18,808
	(18,808)	(18,808)
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	3,838,102	1,758,901
Potential tax benefit at 27.5% (2016: 30%)	1,055,478	527,670

Potential tax benefit

The potential tax benefit relating to tax losses has not being recognised due to the history of recent losses incurred by the Company.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 8 Cash and cash equivalents

	Consolidated	
	2017 \$	2016 \$
Cash on hand	2,207	2,207
Cash at bank	5,304,539	2,079,399
	5,306,746	2,081,606

Cash held currently earns interest of 0.2% pa. (2016: 0.096% p.a.)

Note 9. Trade and other receivables

	Consolidated	
	2017 \$	2016 \$
Trade debtors	903,743	442,209
Prepayments and other receivables	444,517	311,133
Other receivables	20,363	-
	1,368,623	753,342

Credit risk

The consolidated entity has one significant customer who represents more than 10% of total debtors.

At 30 June 2017, the ageing of the trade receivables that were not impaired was as follows:

	Consolidated	
	2017 \$	2016 \$
Neither past due nor impaired	802,405	367,917
Past due 1 - 130 days	97,641	73,374
Past due – over 130 days	3,697	918
	903,743	442,209

The management believes that the unimpaired amounts that are past due by more than 130 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risks.

A provision of doubtful debts of \$5,000 (2016: \$2,427) has been raised against specific debtors and is excluded from the above receivables ageing.

Bubs Australia Limited and Controlled Entities
 Notes to the Financial Statement
 30 June 2017

Note 10. Inventories

	Consolidated	
	2017 \$	2016 \$
Finished goods at cost	984,968	2,467,174
	984,968	2,467,174

The amount of inventory that was written of during the period was \$97,466 (2016:\$27,007)

Note 11. Plant and equipment

	Consolidated	
	2017 \$	2016 \$
Plant and equipment – at cost	140,496	139,097
Less: Accumulated depreciation	(74,470)	(49,622)
	66,026	89,475

	Plant and Equipment \$	Total \$
Movements in carrying amount		
Balance at 1 July 2015	39,445	39,445
Additions	73,380	73,380
Depreciation expense	(23,350)	(23,350)
Balance at 30 June 2016	89,475	89,475
Additions	54,813	18,475
Disposals	(36,338)	-
Depreciation expense	(41,924)	(41,924)
Balance at 30 June 2017	66,026	66,026

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 12. Intangible assets

	Consolidated	
	2017 \$	2016 \$
Patents, trademarks and software	52,188	51,198
Less accumulated amortisation	(15,220)	(3,358)
	36,968	47,840
Brand name	591,634	591,634
Customer list	265,731	265,731
Less accumulated amortisation	(204,048)	(150,847)
	61,683	114,884
Recipes	47,740	47,740
Less accumulated amortisation	(36,649)	(27,102)
	11,091	20,638
Goodwill	1,478,251	1,478,251
Less impairment	(904,180)	(904,180)
	574,071	574,071
	1,275,447	1,349,067

	Goodwill \$	Brand name \$	Other \$	Total \$
Movements in carrying amount				
Balance at 1 July 2015	574,071	591,634	203,609	1,369,314
Additions	-	-	44,400	44,400
Amortisation expense	-	-	(64,647)	(64,647)
Balance at 30 June 2016	574,071	591,634	183,362	1,349,067
Additions	-	-	990	990
Amortisation expense	-	-	(74,610)	(74,610)
Balance at 30 June 2017	574,071	591,634	109,742	1,275,447

Indefinite life intangible assets – goodwill and brand name

On 28 August 2013, The Infant Food Co. Pty Limited acquired the net assets of Organic Bubs Unit Trust for consideration of \$1,999,666. The fair value of the brand name "Organic Bubs" was independently determined, and when combined with the values of all other identifiable net assets, and then compared to the purchase consideration, resulted in acquired goodwill amounting to \$1,478,251.

Note 12. Intangible assets (continued)

Goodwill and the brand name are tested for impairment at the end of each year by comparing the carrying value of the cash generating unit (CGU) to the calculated value-in-use of the CGUs to which these intangible assets have been allocated at the acquisition date.

For impairment testing purposes, the entire consolidated entity is determined to be the only CGU. The value-in-use of the CGUs has been determined by preparing a 5 year forecast, with the earlier years being estimated through specific volume assumptions based on known opportunities, while years thereafter are estimated using assumed diminishing positive growth assumptions for the CGU overall. As part of the impairment test, management assesses the reasonableness of the growth assumptions by reviewing the achieved growth of comparable entities in the same, or related, industry segments.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the specific risks to the CGUs. The discount rates have been determined using the average weighted cost of capital and current market risk-free rate, adjusted for relevant business risks. Pre-tax discount rates applied to the current year value-in-use model are 16.4% to 18.3% (2016: 18.4% - 20.8%).

A terminal growth rate of 2.1% (2016: 1.0%) has been assumed in the value-in-use calculation, which is in line with inflation, and reflects the long term growth potential beyond the five year forecast horizon.

As the calculated recoverable amount is above the net assets adjusted for borrowings at the balance sheet date, no impairment loss has been recognised on either goodwill or the brand name (2016: \$nil).

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percent	Change required for carrying amount to equal the recoverable amount	
	2017	2016
Discount rate	2.1%	6.4%
Budgeted gross revenue growth rate	(2.5%)	(1.0%)

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 13. Trade and other payables

	Consolidated	
	2017 \$	2016 \$
Trade payables	558,175	616,360
Other payables and accruals	541,993	503,878
	1,100,168	1,120,238

The trade and other payables are unsecured and have terms of between 0 and 90 days

Note 14. Borrowings – Current

	Consolidated	
	2017 \$	2016 \$
Commercial lenders	-	3,557
	-	3,557

The Borrowings at 30 June 2016 consisted of a financing of a motor vehicle through a chattel mortgage. The finance was entered into 5 January 2016 for five year period with a discount rate of 1.75% p.a., and was paid out during the year ended 30 June 2017.

Note 15. Provisions – Current

	Consolidated	
	2017 \$	2016 \$
Employee entitlements	177,830	23,746
	177,830	23,746

Note 16. Borrowings – Non-current

	Consolidated	
	2017 \$	2016 \$
Commercial lenders	-	35,958
	-	35,958

The Borrowings at 30 June 2016 consisted of a financing of a motor vehicle through a chattel mortgage. The finance was entered into 5 January 2016 for five year period with a discount rate of 1.75% p.a., and was paid out during the year ended 30 June 2017.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 17. Segment information

The Group has identified its operating segments based on the internal reports that are provided to the Chief Executive Officer and Managing Director, the chief operating decision maker, on a regular basis and in determining the allocation of resources. Management continually assesses the Company's segments and has identified a single operating segments being the manufacture and sale of infant food.

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 that presented to the Chief Executive Officer and Managing Director.

The geographic information below further analyses the group's revenue by the Company's country domicile and other countries. In presenting the following information, the revenue has been based on the geographic location of the customers.

Revenue (by region)	Consolidated	
	2017 \$	2016 \$
Australia	3,047,924	1,965,971
China	582,722	1,327,161
Other International	314,609	366,196
	3,945,255	3,659,328

The Group has one external customer who generated greater than 10 percent of its revenues. For the year ended 30 June 2017, the revenue for the customer amounted to \$2,090,515 (for 2016, \$882,488).

Note 18. Deferred taxes

Deferred tax liability comprises temporary differences attributable to:	Consolidated	
	2017 \$	2016 \$
Intangible assets	199,338	218,146
Opening balance	218,146	236,954
Credited to profit or loss	(18,808)	(18,808)
Closing balance	199,338	218,146

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 19. Issued capital

	June 2017 \$	June 2016 \$
238,820,888 (30 June 2016: 25,000) fully paid ordinary shares	15,082,928	8,400,000

	Shares	\$
Movement in share capital		
Balance at 1 July 2015	8,000	2,000,000
Issue of shares by IFHC – 23 July 2015	2,000	400,000
Issue if shares by IFHC – 11 April 2016	15,000	6,000,000
Balance at 30 June 2016	25,000	8,400,000
Deemed reverse acquisition on Bubs Australia Limited by IFHC	75,140,888	6,804,862
Issue of shares to IFHC Vendors as part of reverse acquisition	163,400,000	16,340,000
Elimination of the acquisition of IFHC by Bubs Australia Limited	(25,000)	(16,340,000)
Placement of shares	280,000	28,000
Share issue transactions costs	-	(149,934)
Balance at 30 June 2017	238,820,888	15,082,928

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

Capital management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern so that in due course it can provide returns for stakeholders and maintain an optimum capital structure.

In order to maintain or adjust the capital structure, the consolidated entity manages the level of debt such that it remains prudent and facilitates the execution of the operational plan and provides flexibility for growth.

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Note 20. Reconciliation of Loss After Income Tax to Net Cash Used in Operating Activities

	Consolidated	
	2017 \$	2016 \$
(Loss) after income tax expense for the year	(5,059,242)	(1,289,249)
Share-based payments	561,769	-
Depreciation and amortisation	116,534	87,997
Corporate transaction accounting expense	1,722,893	-
Loss on disposal of property, plant and equipment	8,350	-
Decrease / (increase) in trade and other receivables	(604,455)	(361,795)
Decrease / (increase) in inventories	1,482,205	(1,855,436)
Increase / (decrease) in trade and other payables	(386,868)	437,486
Increase/ (decrease) in provisions	81,328	-
(Decrease) in Deferred tax liability	(18,808)	(18,808)
Net cash outflow from operating activities	(2,096,294)	(2,999,805)

Note 21. Key management personnel disclosures

Any person having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, whether executive or otherwise of the entity, are considered key management personnel. The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017 \$	2016 \$
Short-term employee benefits	634,367	412,000
Post-employment benefits	54,852	38,000
Long-term benefits	7,400	7,400
Share-based payments	213,330	-
	909,949	457,400

Options granted to key management personnel are detailed in Note 28 as employee options

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 22. Remuneration of auditors

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

	Consolidated	
	2017 \$	2016 \$
Audit services		
Audit or review of the financial statements – Logicca Chartered Accountants	-	16,000
Audit or review of the financial statements – Ernst & Young	95,000	-
	95,000	16,000

Note 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel compensation are set out in note 21.

Transactions with related parties

The following transactions occurred with related parties:

Payments for other expenses

	Consolidated	
	2017 \$	2016 \$
Payment for other expenses		
Lease of premises in Narrabeen that is leased by Anthony Gualdi	19,934	52,322
Payments to related parties	19,934	52,322

One of the Directors who was appointed to the Company during the financial year is a partner in an accounting firm. The Company contracted professional service from the accounting firm to the amount of \$25,997 in 2017, with an outstanding balance at 30 June 2017 at \$22,050.

All of the above transactions were considered to be on an arms' length basis.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Exchange of shares as part of the reverse takeover

Two of the key management personnel received shares in Bubs Australia Limited in exchange for their existing equity holdings in Infant Holding Company Pty Ltd as part of the reverse takeover that occurred during the year. The total number of shares received by the key management were 20,261,600 shares and 20,261,600 respectively. This represented an implied value of those shares of \$2,026,160 and \$2,026,160 respectively.

Terms and conditions

All transactions were made on normal commercial terms and conditions at market rates.

Note 24. Financial risk management

The consolidated entity's financial instruments consist of deposits with banks, accounts receivable and accounts payable. As at 30 June 2017 there were no derivative financial instruments in place.

Financial risk exposures

The consolidated entity is exposed to liquidity, credit risks, interest rate risks and foreign exchange risk as a result of volatility in the exchange rates where input commodities are priced in foreign currency.

Liquidity and credit risks are managed through ensuring the business is adequately capitalised. This has meant that the entity placed less reliance on debt financing. The company holds is cash in AA- rated Australian Banks.

Credit risk arising from exposure to customers with accounts is managed by offering only limited terms (around 30 – 45 days) to minor customers, with longer terms only offered to significant customers who will settle their accounts in due course. Accounts receivable are regularly reviewed and followed up.

The entity is exposed to changes in input costs where the input commodity is priced in foreign currency. This risk is managed through monitoring product profitability where input costs have become excessive.

The entity holds its cash in business accounts that earn a variable interest rate on outstanding balances (refer note 8). A reasonable possible increase of 50 bp would have increased equity and profit or loss by an amount of \$26,522 (2016: \$10,396) while a reasonably possible decrease of 10bp would have reduced equity and profit or loss by an amount of \$5,307 (2016: \$2,082).

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

The summary of the quantitative data about the Group's exposure to currency risk as reported to management of the Group based on its risk management policy was as follows:

	Consolidated 2017	
	Balance in foreign currency \$	Balance in Australian dollars \$
Financial liabilities in foreign currency		
New Zealand dollar	9,191	8,769
United States Dollar	31,600	41,159
Net exposure		49,928

There were no equivalent foreign currency amounts payable in 2016. All sales were in Australian dollars. A reasonably possible increase/decrease in either New Zealand or United States Dollar vs Australian dollar Exchange rate of 10% would not have resulted in result in material change in profit or loss or net assets of the Group.

Financial assets other than cash comprise trade debtors that mature between 30 and 90 days. Financial liabilities comprise creditors which mature on terms of between 0 and 90 days, and borrowings which have no term. Because of their short-term nature, the financial assets and liabilities approximate fair value.

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Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 25. Parent entity information

Set out below is the supplementary information of the legal parent entity (refer Note 26) which is a non-trading holding company.

	2017 \$	2016 \$
Result of parent entity		
Loss for the year	(1,562,023)	(514,491)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1,562,023)	(514,491)
Financial position of parent entity at year end		
Current assets	5,234,093	389,036
Total assets	21,576,824	392,167
Current liabilities	525,603	333,967
Total liabilities	525,603	337,617
Issued share capital	43,063,145	21,066,220
Reserves	561,769	-
Accumulated losses	(22,573,693)	(21,011,670)
Total Equity	21,051,221	54,550

The Directors are of the opinion that there are no contingent liabilities, capital commitments or guarantees relating to the parent entity requiring disclosure. Operating lease commitments are disclosed in Note 29.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 26. Group entities

A. Legal parent entity

Bubs Australia Limited (formerly Hillcrest Litigation Services Limited) is the ultimate parent of the Group.

Legal subsidiaries

		Principal Activity	Class or Shares	% Owned 2017	% Owned 2016
The Infant Food Holding Co. Pty Limited	Australia	Holding Company	Ordinary	100%	-
The Infant Food Co. Pty Limited	Australia	Trading Company	Ordinary	100%	100%
Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Holder of IP and trademarks	Ordinary	100%	100%

B. Accounting parent entity

The Infant Food Holding Co. Pty Limited is the accounting parent of the Group. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

Accounting subsidiaries

		Principal Activity	Class or Shares	% Owned 2017	% Owned 2016
Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)	Australia	Non-trading Holding Company	Ordinary	100%	-
The Infant Food Co. Pty Limited	Australia	Trading Company	Ordinary	100%	100%
Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Holder of IP and trademarks	Ordinary	100%	100%

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 27. Loss per share

	June 2017 \$	June 2016 \$
a. Reconciliation of earnings to profit or loss		
Loss for the year	(5,059,242)	(1,289,249)
Loss used in the calculation of basic and diluted EPS	(5,059,242)	(1,289,249)

	June 2017 No.	June 2016 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	203,025,125	86,203,573

	June 2017 \$	June 2016 \$
c. Loss per share		
Basic loss per share (dollars per share)	(0.02)	(0.01)
Diluted loss per share (dollars per share)	(0.02)	(0.01)

- d. As at 30 June 2017, the Group has 9,422,350 unissued shares under options (30 June 2016 nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the year ended 30 June 2017 the Group's unissued shares under option were anti-dilutive.
- e. The equity structure in these consolidated financial statements following the reverse acquisition reflects the equity structure of Bubs, being the legal acquirer (the accounting acquiree), including the equity interests issued by Bubs to effect the asset acquisition.
- i. In calculating the weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 30 June 2017:
- (1) the number of ordinary shares outstanding from 1 July 2016 to 20 December 2016 (deemed acquisition date) are computed on the basis of the weighted average number of ordinary shares of IFHC, (legal acquiree/accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and
 - (2) the number of ordinary shares outstanding from 21 December 2016 to the end of year shall be the actual number of ordinary shares of Bubs outstanding during that period.

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Note 27. Loss per share (continued)

- ii. The basic EPS for the year ended 30 June 2016 shall be calculated by dividing:
- (1) the profit or loss of the IFHCo attributable to ordinary shareholders in each of those periods by
 - (2) the IFHCo's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Note 28. Share based payments and other reserves

Reverse takeover

A total of 163,400,000 shares were issued to the IFHC vendors by Bubs Australia Limited as part of the reverse acquisition, which has been accounted for as a share based payment transaction in the financial statements. Note 4 contains details of the notional share based payment consideration of \$6,804,862 granted and associated corporate transaction accounting expense of \$1,722,893.

Options issued

The options reserve is used to recognise the grant date fair value of options issued to employees but not exercised. The movement in the option reserve is as follows:

	Options #	\$
Balance at 1 July 2015	-	-
Balance at 1 July 2016	-	-
Option issued during the period:	-	-
- Exercisable at \$0.10 employee options expiring 20.12.2019	3,578,108	213,330
- Exercisable at \$0.10 employee options expiring 20.12.2019	5,844,242	348,439
Balance at 30 June 2017	9,422,350	561,769

The details of the fair value of the options issued during the period is as follows:

	Employee options	Consultant options
Exercise price (\$)	0.10	0.10
Share price at date of issue (\$)	0.10	0.10
Grant date	20/12/2016	20/12/2016
Expected volatility (%)	93.88	93.88
Expiry date	20/12/2019	20/12/2019
Expected dividends	N/A	N/A
Risk free interest rate (%)	2.00	2.00
Value per option (\$)	0.06	0.06
Number of options	3,578,108	5,844,242
Total value of options (\$)	213,330	348,439

Bubs Australia Limited and Controlled Entities
Notes to the Financial Statement
30 June 2017

Options issued (continued)

The employee options are currently exercisable while the consultant options have a vesting condition that the share price of Bubs Australia Limited must be at least 12.5 cents before they are exercisable. There is no required service period for the employee or consultant options. The employee options do not expire on termination of employment

The fair value of options is determined using the Black-Scholes pricing model, on the basis that there was no fair value determined for the services provided.

Note 29. Operating leases

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non- cancellable operating leases are payable as follows:

	2017	2016
Less than one year	48,754	-
Between one and five years	8,152	-
More than five years	-	-
	<hr/> 56,906	<hr/> -

The operating lease commitments relate to the company's head office. There are two options for renewal for 3 years each respectively.

Note 30. Events after the reporting period

On 8 September 2017 the Company issued 35,467,243 ordinary shares through a private placement at \$0.45 to raise \$15,950,259 before costs.

Other than this event, no matter or circumstance has arisen since 30 June 2017 that has significantly affected, or could significantly affect the reported results from operations or financial position for the year then ended.

Bubs Australia Limited and Controlled Entities
Director's Declaration
For the year ended 30 June 2017

1. In the opinion of the directors of Bubs Australia Limited (the 'Company'):
- a) The consolidated financial statements and notes that are set out on pages 30 to 69 and the Remuneration report on pages 11 to 22 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - 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. The directors have been given the declarations required by Section 295A the *Corporations Act 2001* from the chief executive officer for the financial year ended 30 June 2017.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 29th day of September 2017



Dennis Lin
Director

Bubs Australia Limited and Controlled Entities
Additional Information For Listed Public Companies
As at 30 June 2017

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 SHAREHOLDING AS AT – 21 September 2017

a. Distribution of Shareholders

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	817	433,810	0.15
1,001 – 5,000	1,733	5,041,036	1.84
5,001 – 10,000	1,002	8,281,640	3.02
10,001 – 100,000	2,083	65,652,541	23.96
100,001 – and over	273	194,656,883	71.03
	5,908	274,065,910	100

b. Unmarketable Parcels – 31 August 2017

Minimum Parcel Size	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.615 per unit	814	608	230,811

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares as at – 21 September 2017

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	NEXT STEP GLOBAL LIMITED	32,626,800	11.90
2.	INFANT FOOD BUSINESS PTY LTD <BUBS AUSTRALIA A/C>	21,011,600	7.67
3.	CARR FAMILY PTY LTD <CARR FAMILY A/C>	20,761,600	7.58
4.	WF INVESTMENT HOLDINGS PTY LTD <WF INVESTMENT A/C>	13,789,440	5.03
5.	CAI HUA	4,444,445	1.62
6.	JP MORGAN NOMINEES AUSTRALIA LIMITED	4,197,489	1.53
7.	MAGIC HOME LIMITED	3,043,200	1.11
8.	MS LIU ZHAO	3,020,894	1.10

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Bubs Australia Limited and Controlled Entities
Additional Information For Listed Public Companies
As at 30 June 2017

20 Largest Shareholders — Ordinary Shares as at – 21 September 2017 (continued)

9.	CITICORP NOMINEES PTY LIMITED	2,991,549	1.09
10.	MR YU GUI FENG	2,880,000	1.05
11.	INSPIRING FURNITURE LIMITED	2,318,000	0.85
12.	LIU LEQI	2,222,223	0.81
13.	NEWECONOMY COM AU NOMINEES PTY LTD <900 A/C>	2,085,563	0.76
14.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED ACCOUNT>	2,001,506	0.73
15.	MRS MELINDA JANE COATES	1,800,000	0.66
16.	COMSEC NOMINEES PTY LIMITED	1,760,035	0.64
17.	WROXBY PTY LTD	1,666,667	0.61
18.	BERNE NO 132 NOMINEES PTY LTD	1,632,960	0.60
19.	MR BINYAN PENG	1,600,329	0.58
20.	BNP PARIBAS NOMS PTY LTD <DRP>	1,456,315	0.53
	TOTAL	127,310,615	46.45

2 The name of the Company Secretary is *Jay Richard Stephenson*.

3 Principal Registered Office

2-4/6 Tilley Lane, Frenchs Forest, NSW, Australia, 2086

4 Registers Of Securities

Computershare Investor Services Pty Ltd

5 Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6 Unquoted Securities

a. Options over Unissued Shares

The Company has 9,422,350 options on issue.

7 Use Of Funds

The Company has used its funds in accordance with its initial business objectives.