Nature One Dairy Pty Ltd
Nature One Dairy (Singapore) Pte Ltd
Nature One Dairy (Hong Kong) Limited
(Aggregated Group)

Combined Annual Report for the Aggregated Group

For the financial year ended 30 June 2023

Nature One Dairy Pty Ltd
Nature One Dairy (Singapore) Pte Ltd
Nature One Dairy (Hong Kong) Limited

Annual Report
For the financial years ended 30 June 2022 and 2023

Corporate Directory

	Nature One Dairy Pty Ltd	Nature One Dairy (Singapore) Pte Ltd	Nature One Dairy (Hong Kong) Limited
Directors	Nick Dimopoulos	Nick Dimopoulos Wee Lin (Masie) Ng-Dimopoulos	Nick Dimopoulos Wee Lin (Masie) Ng-Dimopoulos
Principal registered office	12 Capital Place Carrum Downs VIC 3201	10 Anson Road Unit 27-15 International Plaza, Singapore 079903	Unit 910 -912 9/F, Peninsula Tower 538 Castle Peak Road Lai Chi Kok Kowloon, Hong Kong
Auditor	Bentleys Sydney Audit Pty Ltd (a member of Allinial Global)	Audit Alliance LLP (a member of Allinial Global)	NG & Chung
Website address	natureonedairy.com	natureonedairy.com	natureonedairy.com

Operating and Financial Review

Principal activities

The principal activities of the Aggregated Group during the financial years consisted of the manufacturing and selling of powder milk-based products. The Aggregated Group comprises Nature One Dairy Pty Ltd, Nature One Dairy (Singapore) Pte Ltd and Nature One Dairy (Hong Kong) Limited, collectively referred to as (the "Group")

The Group's operations were conducted in Australia, Singapore and Hong Kong.

Significant changes to activities

There were no significant changes in the nature of the Group's activities during the financial year.

Review of operations

Revenue

Gross revenues for the Group were $59,754,165 (2022: $16,851,521) and net revenues after trading terms, volume rebates and other claims (**trading terms**) were $34,282,350 (2022: $16,851,521).

Gross Profit

Average gross margin for the year was 45.4% (2022: 37.3%). The sales mix, together with stronger commercial terms across the procurement of raw materials, contributed to the strong gross margins.

Expenses

Expenses as a % of Net Revenue was 30.5% (2022: 51.6%). This reduction was due to increased revenues which were, in the main, contributed by the acquisition of the business in Hong Kong.

	2023 $	2022 $
Employee expenses	2,652,747	3,125,440
Administrative and other expenses	7,799,958	5,567,776
Total	**10,452,705**	**8,693,216**
% Net Revenue	30.5%	51.6%

EBITDA

	2023 $	2022 $
Statutory profit(loss) before income tax	3,808,448	(2,985,862)

Depreciation and amortisation	1,907,162	1,423,574
Net Finance costs	480,048	405,132
EBITDA	6,195,658	(1,157,156)

Cash flow

Cash balances at year end increased to $408,305 from the prior year balance of $151,443.

Debt

Borrowings have increased by $3,239,758 from the prior year, due to the increase in a working capital facility from Westpac Banking Corporation and an increase in the loan from Nature One Dairy (Australia) Pte Ltd. These borrowings were used to cover working capital requirements.

Financial Position

The net assets of the Group increased by $4,184,225 to $3,808,383 from the prior year balance of ($375,842).

The directors believe that the Group is in a stable financial position to expand and grow its current operations.

Significant changes in the state of affairs

Other than as reported above, there have been no significant changes in the state of affairs of the Group during the financial years.

Events after the reporting periods

On 7th June 2024, Mr Jason Aleksander Kardachi and Mr Borrelli Cosimo c/- Kroll Pte Ltd, were appointed as Joint and Several Judicial Managers of Nature One Dairy (Australia) Pte Ltd (the ultimate parent entity). The Judicial Managers were discharged on 5 September 2024.

Other that the above there are no events that have occurred after the balance sheet dates that would have an effect on the Group's financial statements other than those that are already reflected in the financial statements.

Environmental regulation

The Group is subject to significant environmental regulation in respect of its manufacturing activities in Australia and has put in place processes to ensure compliance with these regulations. The Group holds environmental licenses for its manufacturing site in New South Wales under various local regulations.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Directors Report

The directors present their report on the Aggregated Group (referred to herein as the **Group**) consisting of Nature One Dairy Pty Ltd, Nature One Dairy (Singapore) Pte Ltd and Nature One Dairy (Hong Kong) Limited for the financial years ended 30 June 2022 and 2023. The information in the preceding operating and financial review forms part of this directors' report for the financial years ended 30 June 2022 and 2023 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of the Group during the whole of the financial years and up to the date of this report:

Nature One Dairy Pty Ltd	Nick Dimopoulos Wee Lin (Masie) Ng-Dimopoulos (Resigned on 30 May 2023)
Nature One Dairy (Singapore) Pte Ltd	Nick Dimopoulos Wee Lin (Masie) Ng-Dimopoulos
Nature One Dairy (Hong Kong) Limited	Nick Dimopoulos Wee Lin (Masie) Ng-Dimopoulos Francesco Licciardello (Resigned on 26 April 2023)

Dividends Paid or Recommended

No dividends were paid or declared during the financial years. No dividends have been recommended for payment or paid subsequent to the end of the financial year.

Indemnifying Officers or Auditor

During the financial years, the Group paid no premiums for directors and officers of the Group against the cost and expenses in defending claims brought against the individual while performing services for the Group.

The Group has in place Deeds of Indemnity, Insurance and Access with each of its current Directors and such other officers that the Directors determine are entitled to receive the benefit of an indemnity.

No indemnity is provided to the auditor.

Proceedings on behalf of the Group

Legal proceedings were carried by Nature One Dairy Pty Ltd against a former consultant during the financial year. The Victorian Supreme Court has granted an order for costs to be repaid to a Nature One Dairy Pty Ltd following the successful outcome of a court case involving Nature One Dairy Pty Ltd. Nature One Dairy Pty Ltd's legal representative is in the process of recovering the costs.

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved by the directors prior to commencement to ensure they do not impact the impartiality and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The auditor's independence declaration for the years ended 30 June 2022 and 30 June 2023 have been received and can be found on page 8 of the financial report.

Shares under option

These entities do not have option schemes in application for the years presented.

No Group entity has issued any options over unissued shares.

This report is made in accordance with a resolution of directors.

________________________	24 September 2024
Director	Date

Bentleys
THINKING AHEAD

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Nature One Dairy Pty Ltd
Nature One Dairy (Singapore) Lte Ltd
Nature One Dairy (Hong Kong) Limited
Referred to as the ("Aggregated Group")

Auditor's Independence Declaration to the Directors of the Aggregated Group

I declare that, to the best of my knowledge and belief, during the years ended 30 June 2022 and 30 June 2023, there have been:

(i) no contraventions of the auditor independence requirements in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Donovan Odendaal
Director
Sydney

Bentleys Sydney Audit

BENTLEYS SYDNEY AUDIT PTY LTD
Chartered Accountants

Date: 24 September 2024

Consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2022 and 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	2	**34,282,350**	**16,851,521**
Cost of sales of goods		(18,709,166)	(10,559,355)
Gross profit		**15,573,184**	**6,292,166**
Other income	2	1,075,178	1,243,896
Employee expenses		(2,652,747)	(3,125,440)
Administrative and other expenses		(7,799,958)	(5,567,778)
Depreciation and amortisation expense	3	(1,907,162)	(1,423,574)
Operating profit (loss)		**4,288,495**	**(2,580,730)**
Finance income		3,190	-
Finance costs	3	(483,237)	(405,132)
Finance costs – net		**(480,047)**	**(405,132)**
Profit (loss) before income tax		**3,808,448**	**(2,985,862)**
Income tax benefit	15(a)	1,271,801	-
Profit (loss) from continuing operations		**5,080,249**	**(2,985,862)**
Other comprehensive income:			
Items that may be reclassified			
- Currency translation gains / (losses) arising from consolidation		**896,024**	(14,244)
Other comprehensive income / (loss), net of tax		**896,024**	(14,244)
Total comprehensive profit (loss) after income tax		**5,976,273**	**(3,000,106)**

Earnings per share		
Basic	1.01	(0.51)
Diluted	1.01	(0.51)

The accompanying notes form part of these financial statements

Consolidated statement of financial position
as at 30 June

	Note	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	4	408,305	151,443
Trade and other receivables	5	10,316,760	2,861,220
Inventories	6	3,571,934	4,781,108
Total current assets		**14,296,999**	7,793,771
Non-current assets			
Property, plant and equipment	7	**10,716,017**	11,292,361
Right of use assets	14	**3,359,811**	3,257,450
Intangible assets	8	**22,240,784**	22,908,558
Deferred tax assets	15	**1,489,746**	-
Other assets	10	**468,481**	468,481
Total non-current assets		**38,274,839**	37,926,850
Total assets		**52,571,838**	45,720,621
LIABILITIES			
Current liabilities			
Trade and other payables	11	**7,084,880**	8,092,614
Borrowings	13	**2,188,649**	1,823,464
Lease liabilities	14	**360,002**	196,962
Current income tax liabilities		**219,645**	
Provisions	12	**163,875**	169,795
Total current liabilities		**10,017,051**	10,282,835
Non-current liabilities			
Trade and other payables	11	**11,598,789**	11,598,789
Borrowings	13	**22,072,175**	19,197,602
Lease liabilities	14	**3,585,694**	3,527,491
Deferred tax liability	15	**1,489,746**	1,489,746
Total non-current liabilities		**38,746,404**	35,813,628
Total liabilities		**48,763,455**	46,096,463
Net assets		**3,808,383**	**(375,842)**
Equity			
Issued capital	16	**5,901,851**	5,901,851
Revaluation reserve	21	**3,476,075**	3,476,075
Accumulated losses		**(4,687,763)**	(9,768,012)
Foreign currency translation reserve	21	**(881,780)**	14,244
Total equity		**3,808,383**	**(375,842)**

Consolidated Statement of Changes in Equity

	Share capital $	Revaluation Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2022	**5,901,851**	**3,476,075**	**(9,768,012)**	**14,244**	**(375,842)**
Profit for the year	-	-	5,080,249	-	5,080,249
Other comprehensive income for the year	-	-	-	(896,024)	(896,024)
Balance at 30 June 2023	**5,901,851**	**3,476,075**	**(4,687,763)**	**(881,780)**	**3,808,383**

	Share capital $	Revaluation Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2021	**5,900,001**	**3,476,075**	**(6,782,150)**		**2,593,926**
Shares issued during the year	1,850	-	-		1,850
Loss for the year	-	-	(2,985,862)		(2,985,862)
Other comprehensive income				14,244	14,244
Balance at 30 June 2022	**5,901,851**	**3,476,075**	**(9,768,012)**	**14,244**	**(375,842)**

Statement of cash flows for the year ended 30 June

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		27,901,987	16,614,176
Payments to suppliers and employees		(29,485,446)	(18,819,817)
		(1,583,459)	(2,205,641)
Interest received		3,190	72,082
Interest paid		(483,237)	(406,239)
Income taxes paid		1,700	-
Net cash (outflow) from operating activities	4	**(2,061,806)**	(2,539,798)
Cash flows from investing activities			
Payments for acquisition of intangible assets		-	(22,434,181)
Payments for of property, plant and equipment		(246,307)	(239,133)
Net cash (outflow) from investing activities		**(246,307)**	(22,673,314)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,850
Payment of lease liabilities		221,243	(183,711)
Net Proceeds from borrowings		3,239,756	24,344,293
Net cash inflow from financing activities		**3,460,999**	24,162,432
Net increase (decrease) in cash and cash equivalents		**1,152,886**	(1,050,680)
Cash and cash equivalents at beginning of year		151,443	1,202,570
Effect of currency translation of cash and cash equivalents		(896,024)	(447)
Cash and cash equivalents at end of year		**408,305**	151,443

Notes to the Financial Statements

These Aggregated financial statements and notes represent Nature One Dairy Pty Ltd, Nature One Dairy (Singapore) Pte Ltd and Nature One Dairy (Hong Kong) Limited (referred to as the **Group**).

The financial statements were authorised for issue on 24 September 2024 by the directors of the Group.

Note 1: Summary of material accounting policies

Basis of preparation

These special purpose financial statements have been prepared in accordance with the recognition, measurement and disclosure requirements of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') except for the consolidation requirements of AASB 10 Consolidated Financial Statements (outlined in (a) below). The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

Principles of Consolidation and Aggregation

These financial statements incorporate all of the assets, liabilities and results of the Aggregated Group which comprises Nature One Dairy Pty Ltd, Nature One Dairy (Singapore) Pte Ltd, Nature One Dairy (Hong Kong) Limited (the **Group**).

The assets, liabilities and results of the Group are fully consolidated into the financial statements of the Group with the exclusion of share capital elimination. The accounting policies of the Group have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. The accounting policies of entities within the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Income taxes

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustment to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(d) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment, leasehold improvements and office equipment are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated impairment losses and accumulated depreciation for plant and equipment.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other classes of property, plant and equipment are carried at cost.

Depreciation

The depreciable amount of all fixed assets including capitalised leases, is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Useful lives
Plant and machinery	10 years (Straight line method)
Leasehold improvements	Over the lease term
Office equipment	3 - 5 years (Straight line method)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

The cost of finished goods and work-in-progress comprise purchase price of finished goods, freight costs and other costs attributable to bringing finished goods to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(f) Leases

At inception of a contract, the Group assesses if the contract contains a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives:

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(g) Financial Instruments

Initial recognition measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments (except for trade receivables) measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprise both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrecoverable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (Ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of anew financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to Its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective Interest rate of the financial Instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach.

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance. for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change In credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(h) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset ls carried at a revalued amount in accordance with another Standard (eg.in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Intangibles other than Goodwill

Brand assets

Brand assets have been recognised as part of a business combination and are treated as having an indefinite useful life. The brand assets relate to established products with strong market penetration into Hong Kong and other markets. The brand assets operate in a stable industry with a strong positioning in its target market. The brand assets are not amortised, instead brand assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Customer contracts

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging between 5 to 10 years or such other period deemed appropriate based on historical and future renewal rates.

Intellectual property

Intellectual property and software are recognised at cost of acquisition when incurred. Intellectual property and software have a useful life of 5 to 20 years and are carried at cost less any accumulated amortisation and impairment losses. Intellectual property and software are amortised over the life of the patents and licenses they relate to

(j) Currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The aggregated financial statements are presented in Australian dollars.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cashflow or net investment hedge.

Exchange differences arising on the translation of non-monetary Items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise, the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(k) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re measurements for changes in assumptions of obligations for other long-term employee benefits are recognised profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(l) Revenue and Other Income

Revenue recognition

Sale of products

The Group manufactures a range of milk powder products for sale as branded products to wholesalers and retailers. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customers. Discounts can be provided with the sale of these items, depending on the volume of aggregate sales made to certain eligible customers. Revenue from these sales is based on the price stipulated in the contract, net of the estimated discounts. The discounts are estimated using historical experience and applying the expected value method.

Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

Where there are expected discounts payable to customers for sales made until the end of the reporting period, a contract liability is recognised.

A receivable is recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with discounts) are made within a credit term of 30 to 60 days.

Other income

Interest revenue is recognised using the effective Interest method. All other income is stated net of the amount of goods and services tax.

(m) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for loss allowance. Refer to Note 1 (g) for further discussion on the determination of impairment losses.

There is no formal policy for general provision of bad debts. The Group assesses recoverability of each amount individually on a regular basis and shall write it off if the amount is considered non-recoverable by management.

During the year, there was no provision made for expected credit losses.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment - general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) Recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary difference and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which may lead to impairment of the deferred tax asset.

(ii) Valuation of plant and equipment

Critical judgements are made by the Group in respect of the fair value of plant and equipment. The fair value of plant and equipment is reviewed by management with reference to market value as determined by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the category of plant and equipment being valued. The market value is the amount in which an asset should exchange at the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuation also assumes the assets will be sold by way of a private treaty sale and remain in its current location after the sale.

Note 2: Revenue and Other Income

	2023 $	2022 $
Gross revenue	59,754,165	16,851,521
Less: volume rebates and trading terms	(25,471,815)	-
Net revenue	34,282,350	16,851,521
Other income:		
Government grant	20,216	58,160
Realised and unrealised foreign exchange gains	1,009,889	1,013,034
Other	45,073	172,702
Total other income	1,075,178	1,243,896
Total revenue and other income	**35,357,528**	**18,095,417**

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

	2023 $	2022 $
Major product lines		
Powdered milk products	34,234,178	16,851,521
Liquid or non-powder	48,172	-
Total revenue from contracts with customers	**34,282,350**	**16,851,521**

	2023 $	2022 $
Geographical regions		
Australia	1,672,815	2,129,080
China	4,143,668	7,690,264
Singapore	3,449,479	3,063,393
Hong Kong	20,037,623	444,424
Other	4,978,765	3,524,360
Total revenue from contracts with customers	**34,282,350**	**16,851,521**

	2023 $	2022 $
Timing of revenue recognition		
Goods and services transferred at a point in time	34,282,350	16,851,521
Total revenue from contracts with customers	**34,282,350**	**16,851,521**

Note 3: Expenses

Profit before income tax includes the following specific expenses:

	2023 $	2022 $
Auditors' remuneration		
Remuneration for auditors for:		
- audit of the financial statements	64,899	-
Remuneration for prior year auditors for:		
- audit of the financial statements	-	45,470
	64,899	**45,470**
Depreciation and amortisation		
Depreciation and write offs	1,223,797	1,385,801
Amortisation expenses	683,365	37,773
	1,907,162	**1,423,574**
Finance costs		
Interest expenses	42,929	55,846
Interest paid to related party	181,765	150,074
Interest expense on borrowings	109,133	42,158
Interest on right-of use liabilities	149,410	157,054
	483,237	**405,132**

Note 4: Cash and Cash Equivalents

	2023 $	2022 $
Cash at bank and on hand	408,305	151,443
	408,305	**151,443**

Cash Flow Information
Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2023 $	2022 $
Profit after income tax	5,080,249	(2,985,862)
Adjustments for:		
Depreciation, amortisation and write offs, and other non-cash	1,907,162	1,490,767
Changes in:		
- Trade and other receivables	(6,246,366)	(2,263,104)
- Inventories	190,990	
- Trade and other payables	(1,717,819)	1,218,401
- Provisions	(5,920)	-
- Deferred tax liabilities	(1,489,746)	-
- Income tax payable	219,645	-
Net cash provided by operating activities	**(2,061,805)**	**(2,539,798)**

Note 5: Trade and Other Receivables

	2023 $	2022 $
Trade receivables	8,155,337	2,494,754
Less: provision for impairment	-	-
	8,155,337	2,494,754
Other receivables	2,161,423	366,466
Total current trade and other receivables	**10,316,760**	**2,861,220**

a. Expected Credit Loss – Credit Impaired

There is no formal policy for general provision of expected credit losses. The Group assesses recoverability of each amount individually on a regular basis and shall write it off if the amount is considered non-recoverable by management.

b. Credit Risk

The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (for example when the debtor has been placed under liquidation nor has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier).

Note 6: Inventories

Current	2023 $	2022 $
At cost		
Work in progress	2,656	-
Raw materials	1,946,206	998,561
Finished goods	1,212,741	3,022,435
Goods in transit	410,331	760,112
	3,571,934	**4,781,108**

Note 7: Plant and Equipment

	2023 $	2022 $
Plant and equipment – at fair value	15,060,050	14,901,570
Less: accumulated depreciation	(5,223,875)	(4,493,681)
	9,836,175	10,407,889
Furniture, fixtures and fittings – at cost	93,210	11,542
Less: accumulated depreciation	(20,550)	(6,656)
	72,660	4,886
Forklifts – at cost	45,500	45,500
Less: accumulated depreciation	(18,630)	(13,903)
	26,870	31,597
Office equipment – at fair value	80,904	74,744
Less: accumulated depreciation	(51,378)	(41,055)
	29,526	33,689
Leasehold improvements – at fair value	1,140,944	1,140,944
Less: accumulated depreciation	(390,158)	(326,644)
	750,786	814,300
Total Plant and Equipment	**10,716,017**	**11,292,361**

a. Movements in carrying amounts

Movements in the carrying amounts of each class of plant and equipment between the beginning and end of the current financial year:

	Plant and Equipment (revalued) $	Furniture, fixtures and fittings $	Forklifts $	Office equipment (revalued) $	Leasehold improvements (revalued) $	Total $
Balance at 1 July 2021	**10,975,043**	**794**	**37,174**	**44,604**	**884,182**	**11,941,797**
Additions	234,136	4,997	-		-	239,133
Depreciation expense	(801,290)	(905)	(5,577)	(10,915)	(69,882)	(888,569)
Balance at 30 June 2022	**10,407,889**	**4,886**	**31,597**	**33,689**	**814,300**	**11,292,361**
Additions	158,480	81,668	-	6,160	-	246,308
Depreciation expense	(730,194)	(13,894)	(4,727)	(10,323)	(63,514)	(822,652)
Balance at 30 June 2023	**9,836,175**	**72,660**	**26,870**	**29,526**	**750,786**	**10,716,017**

Note 8: Intangible Assets

	2023 $	2022 $
Customer contracts – at cost	4,605,000	4,605,000
Less: amortisation	(308,271)	-
FCTR adjustment	(48,938)	(20,853)
	4,247,791	4,584,147
Goodwill – at cost	8,937,489	8,937,489
Less: Impairment	-	-
FCTR adjustment	(98,891)	(40,473)
	8,838,598	8,897,016
Brand assets – at cost	9,152,895	9,152,895
Less: Impairment	-	-
FCTR adjustment	(101,274)	(41,448)
	9,051,621	9,111,447
Patents, licences – at cost	944,650	944,650
Less: amortisation	(839,958)	(626,784)
FCTR adjustment	(1,918)	(1,918)
	102,774	315,948
Total Intangible Assets	**22,240,784**	**22,908,558**

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

	Customer contracts $	Goodwill $	Brand assets $	Patents, licences & $	Total $
Balance at 1 July 2021	**-**	**-**	**-**	**357,448**	**357,448**
Additions through business combination	4,605,000	8,937,489	9,152,895	-	22,695,384
FCTR adj.	(20,853)	(40,473)	(41,448)	(1,918)	(104,692)
Amortisation charge		-		(39,582)	(39,582)
Balance at 30 June 2022	**4,584,147**	**8,897,016**	**9,111,447**	**315,948**	**22,908,558**
FCTR adj.	(28,085)	(58,418)	(59,826)	-	(146,329)
Amortisation charge	(308,271)	-	-	(213,174)	(521,445)
Balance at 30 June 2023	**4,247,791**	**8,838,598**	**9,051,621**	**102,774**	**22,240,784**

Note 9: Business Combination

Acquisition of the milk powder distribution from Fei Fah Medibalm (HK) Co. Honk Kong

Nature One Dairy (Hong Kong) Limited entered into an agreement dated 22 April 2022 with Mr.Lau Guan Chew t/a Fei Fah Medibalm (HK) Co. ("Fei Fah") to acquire 100% of the milk powder distribution business and business assets of Fei Fah based in Hong Kong for a total consideration of $24.9 million, which will be settled by the issue of ordinary shares in Nature One Dairy (Australia) Pte. Ltd. The effective date of the acquisition is 1 June 2022.

The goodwill of $8.8 million represents expected synergies from the business combination. The values identified in relation to the acquisition of the business are final as at 30 June 2022.

Details of the acquisition are as follows:

	Milk Powder distribution $
Inventories	3,047,040
Other current assets	299,223
Brand Assets	8,787,000
Customer contracts	4,605,000
Deferred taxes	(760,000)
Provisions	(49,457)
Net assets acquired	15,928,806
Goodwill	8,937,489
Acquisition date fair value of total consideration	**24,866,295**

Note 10: Other Assets

	2023 $	**2022 $**
Current		
Security deposits	468,481	468,481
	468,481	**468,481**

Note 11: Trade and Other Payables

	2023 $	**2022 $**
Current		
Trade payables	3,505,814	2,822,442
Other payables and accruals	3,579,066	5,270,172
Total current	**7,084,880**	**8,092,614**
Non Current		
Contingent consideration	11,598,789	11,598,789
Total trade and other payables	**18,683,669**	**19,691,403**

Trade payables are unsecured and are generally paid within 45 days (and up to 90 days) from date of invoice.

The deferred consideration represents the amount payable to the vendor of the milk powder distribution business (“Fei Fah”) in Hong Kong. Refer note 24.

Note 12: Provisions

	2023 $	2022 $
Current		
Employee benefits	163,875	169,795
	163,875	**169,795**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements, and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 13: Borrowings

Secured borrowing at amortised cost

	2023 $	2022 $
Current		
Equipment finance facility	190,912	255,778
Trade finance facility	1,599,971	1,198,499
Insurance premium funding	75,921	91,570
Non-current		
Equipment finance facility	344,477	512,125
Total secured borrowings	**2,211,281**	**2,057,972**

Unsecured borrowing at amortised cost

	2023 $	2022 $
Current		
Bank overdraft	321,845	277,617
Non-current		
Related party payables	21,727,698	18,685,477
Total unsecured borrowings	**22,049,543**	**18,963,094**

	2023 $	2022 $
Total current borrowings	**2,188,649**	**1,823,464**
Total non-current borrowings	**22,072,175**	**19,197,602**
Total borrowings	**24,260,824**	**21,021,066**

Collateral provided

The overdraft facility is unsecured, bears interest of 6.64% p.a. and is subject to review on an annual basis.

Nature One Dairy Pty Ltd has entered into equipment finance and trade finance facilities with Westpac Banking Corporation.

The equipment finance loan is secured by plant and equipment via a security interest over personal property, bears interest at rates between 3.91% - 5.58% p.a., and is repayable monthly.

Trade facility is secured by a general security over all existing and future assets and undertakings of Nature One Dairy Pty Ltd, as well as personal guarantees totalling $4,000,000 given by the directors of the Group. It bears interest of fixed and variable rates of between 5.3% and 6.6% p.a., repayable up to a maximum of 180 days from the date of the invoice.

Insurance premium funding is secured, bears interest at a flat rate of 3.75% and repayable monthly at $21,779 over ten months, commencing 1 May 2024.

Related party loans are, unsecured and not due and payable within the following 12 months.

Note 14: Leases

a. Right-of-use assets

	2023 $	2022 $
Leased building – at cost	4,717,532	4,212,628
Accumulated depreciation	1,357,721	955,178
Balance at end of year	3,359,811	3,257,450

b. Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	2023 $	2022 $
Less than 1 year	360,002	196,962
1-5 years	3,556,140	3,505,655
Greater than 5 years	-	-
Total undiscounted lease liabilities	3,916,142	3,702,617
Lease liabilities included in this statement of financial position	3,945,696	3,724,453

c. Movements in carrying amounts

	Leased buildings $	Total $
Balance at 1 July 2021	**4,212,628**	**4,212,628**
Accumulated Depreciation expense	(955,178)	(955,178)
Balance at 30 June 2022	**3,257,450**	**3,257,450**
Additions	504,904	504,904
Depreciation expense	(402,543)	(402,543)
Balance at 30 June 2023	**3,359,811**	**3,359,811**

d. AASB 16 related amounts recognised in the statement of profit or loss

	2023 $	2022 $
Right-of-use assets depreciation	402,543	475,447
Leased interest expense	149,410	157,054

Note 15: Tax

a. Components of income tax expense (benefit) comprise in:

	2023 $	2022 $
Current tax expense	217,945	-
Deferred tax benefit	(1,489,746)	-
Total income tax benefit	**(1,271,801)**	**-**

b. The prima facie tax on profit from ordinary activities before income tax, is reconciled to income tax as follows:

	2023	2022
Profit (loss) before income tax	3,808,448	(2,985,862)
Prima facie tax expense (benefit) on profit (loss) from ordinary activities before income tax at varying tax rates	1,057,438	(988,828)
Tax effect of:		
- Temporary differences not recognised	122,529	22,796
- Tax losses recouped	(849,896)	
- Tax losses not recognised	-	1,104,949
- Tax losses recognised	(1,489,746)	
- Non-allowable items	40,384	27,838
- Income not subject to tax	(152,510)	(166,755)
Prima facie tax benefit on profit attributable to the Group	**(1,271,801)**	**-**

c. Deferred tax assets and liabilities

	Opening balance $	Recognised in profit or loss $	Credited directly to equity $	Closing balance $
2023				
Deferred tax liabilities				
Revaluation of plant and equipment recognised in reserve, gross	1,489,746			1,489,746
	1,489,746	**-**	**-**	**1,489,746**
Deferred tax assets				
Carried forward tax offsets	-	1,489,746		1,489,746
	-	**1,489,746**	**-**	**1,489,746**

	Opening balance $	Recognised in profit or loss $	Credited directly to equity $	Closing balance $
2022				
Deferred tax liabilities				
Revaluation of plant and equipment amount recognised in reserve, gross			1,489,746	1,489,746
	-	**-**	**1,489,746**	**1,489,746**
Deferred tax assets				
Carried forward tax offsets	-	-	-	-
	-	**-**	**-**	**-**

The deferred tax asset recognised above, was in relation to brought forward tax losses. Management have recognised so much of the brought forward losses that they deemed probable that future taxable profits will be available to utilise those unused tax losses.

Note 16: Issued Capital

Fully paid ordinary shares	2023 $	2022 $
Nature One Dairy Pty Ltd	5,900,000	5,900,000
Nature One Dairy (Singapore) Pte Ltd	1	1
Nature One Dairy (Hong Kong) Limited	1,850	1,850
	5,901,851	**5,901,851**

a. Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding-up of each entity in proportion to the number of shares held.

At the shareholders meeting of each entity, each ordinary share is entitled to one vote when a poll is called; otherwise, each shareholder has one vote on a show of hands.

b. Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

These responses include the management of debt levels, distributions to shareholders and share issues

The gearing ratios for the years ended 30 June 2022 and 30 June 2023 are as follows:

	2023 $	2022 $
Total financial debt	24,260,824	21,021,066
Total lease liabilities	3,945,696	3,724,453
Less: cash and cash equivalents	(408,305)	(151,443)
Net debt	27,798,215	24,594,076
Total equity	3,808,383	(375,842)
Total capital	31,606,598	24,218,234
Gearing ratio: net debt / (net debt + equity)	**88.0%**	**101.6%**

Note 17: Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023 $	2022 $
Earnings (Loss)		
Earnings (loss) for the purpose of basic and diluted earnings per share being net profit attributable to owners of the Group	5,080,249	(2,985,862)

	2023 $	2022 $
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	5,901,851	5,901,851

Note 18: Operating Segments

General Information
Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Directors have considered the requirements of AASB 8 – Operating Segments and have concluded that at this time there are no separately identifiable reportable segments.

Note 19: Related Party Transactions

a. The Group's main related parties are as follows:

(i) Entities exercising control over the Group:

The ultimate parent entity that exercises control over the Group is Nature One Dairy (Australia) Pte Ltd, ("NODA") which is incorporated in Singapore.

(ii) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

- Topshield International Pte. Ltd

(iii) Other related parties:

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

- Nepean River Dairy Pty Ltd ("NRD")

b. Transactions with related parties:

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in a similar transaction with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant Influence were as follows.

	2023 $	2022 $
Management fees charge by Topsheild		474,960.00
Recharged of Topshield expenses to NODA	474,960.00	
Sales from NODF to NRD	157,361.40	
Sales from NODF to NODA	37,788.74	
Purchase by NODS from NRD	77,896.50	
Interest Income of NODF (charge by NODF to NRD)	652.98	
Interest Expense of NODS(charge by NODA to NODS)	21,488.65	21,527.00
Interest Expense of NODF(charge by NODA to NODF)	158,188.18	128,711.00
Interest Expense of NODHK(charge by NODA to NODHK)		10,513.00
Royalty charged by NODA to NODHK	1,071,213.71	
Rental income for NODS from NODA	91,200.00	
Management fees charge by Topsheild		474,960.00
Recharged of Topshield expenses to NODA	474,960.00	

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within the standard credit terms. None of these balances are secured. No expense has been recognised in the current year or prior year for bad or doubt debts In respect of amounts owed by related parties. No guarantees have been given or received.

Note 20: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans.

The totals for each category of financial instruments. measured in accordance with AASB 9: Financial Instruments as detailed in the accounting policies to these financial statements, is as follows:

	Note	2023 $	2022 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents		408,305	151443
- Trade and other receivables		10,316,760	2,861,220
Total financial assets		**10,725,065**	**3,012,663**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables		18,683,669	19,691,403
- Borrowings		24,260,824	21,021,066
- Lease liabilities		3,945,696	3,724,453
Total financial liabilities		**46,890,189**	**44,436,922**

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk and liquidity risk, and, to a lesser extent, market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies, and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), and ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the invoice date.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liabilities and financial assets maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Borrowings	2,188,649	1,823,464	22,072,175	19,197,602	-	-	24,260,824	21,021,066
Lease liabilities	360,002	196,962	3,585,694	3,527,491	-	-	3,945,696	3,724,453
Trade and other payables	7,084,880	8,092,614	11,891,243	11,598,789	-	-	18,976,123	19,691,403
Total expected outflows	**9,633,531**	**10,113,040**	**37,549,112**	**34,323,882**	**-**	**-**	**47,182,643**	**44,436,922**

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Cash and cash equivalents	408,305	151,337	-	-	-	-	408,305	151,337
Trade and other receivables	10,316,760	2,861,220	-	-	-	-	10,316,760	2,861,220
Total anticipated inflows	**10,725,065**	**3,012,557**	**-**	**-**	**-**	**-**	**10,725,065**	**3,012,557**
Net (outflow) / inflow on financial instruments	**1,091,534**	**(7,100,483)**	**(37,549,112)**	**(34,323,882)**	**-**	**-**	**(36,457,578)**	**(41,424,365)**

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to Interest rate risk are cash, cash equivalents and borrowings.

(ii) Foreign exchange risk

The Group has exposure to movements in foreign currency exchange rates through purchases of ingredients (where those ingredients are not available in Australia).

The Group imports a small amount of ingredients to meet demand (where those ingredients are not available In Australia), and accordingly has exposure to foreign currencies of those suppliers.

Given the Group's small foreign currency exposure, the Group does not currently hedge.

The Group has no open foreign exchange forward contracts at the end of the reporting period relating to highly probable forecast transactions and recognised financial assets and financial liabilities.

d. Fair Values

The carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are considered to approximate their fair values.

Note 21: Reserves

a. Revaluation reserve

The revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

	2023 $	2022 $
Revaluation reserve	3,476,075	3,476,075
Opening balance	-	-
Closing balance	**3,476,075**	**3,476,075**

b. Foreign currency translation reserve

	2023 $	2022 $
Opening balance	14,244	-
Movements during the year	(896,024)	14,244
Closing balance	**(881,780)**	**14,244**

Note 22: Contingent Liabilities and Contingent Assets

There are no capital commitments as at 30 June 2023 and 30 June 2022.

Nature One Dairy Pty Ltd and Nature One Dairy (Singapore) Pte Ltd entered into a Guarantee Deed Poll on 20 December 2019 in which both entities guaranteed to performance of Nature One Dairy (Australia) Pte Ltd (the **Parent**) in respect of a convertible note issued by the Parent with a face value of $4 million. Other than this guarantee, the Group is not aware of any reportable contingent liabilities as at 30 June 2023 and 30 June 2022.

The Victorian Supreme Court has granted an order for costs to be repaid to Nature One Dairy Pty Ltd following the successful outcome of a court case involving Nature One Dairy Pty Ltd. Nature One Dairy Pty Ltd 's legal representatives are in the process of recovering the costs from the defendant.

Note 23: Fair Value Measurements

a. Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- ***Market approach*** uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- ***Income approach*** converts estimated future cash flows or income and expenses into a single discounted present value service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable. Inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b. Fair Value Hierarchy

	Fair Value Measurements at 30 June 2023 Using:		
	Quoted Prices in Active Markets for Identical Assets	**Significant Observable Inputs Other than Level 1 Inputs**	**Significant Unobservable Inputs**
	$	**$**	**$**
	(Level 1)	**(Level 2)**	**(Level 3)**
Plant and equipment - at revalued amounts	-	-	9,836,175
Leasehold improvements - at revalued amounts			750,786
Office equipment - at revalued amounts			29,526
Total non-recurring fair value measurements	**-**	**-**	**10,616,487**

	Fair Value Measurements at 30 June 2022 Using:		
	Quoted Prices in Active Markets for Identical Assets $ (Level 1)	**Significant Observable Inputs Other than Level 1 Inputs $ (Level 2)**	**Significant Unobservable Inputs $ (Level 3)**
Plant and equipment - at revalued amounts	-	-	10,407,889
Leasehold improvements - at revalued amounts			814,300
Office equipment - at revalued amounts			33,689
Total non-recurring fair value measurements	**-**	**-**	**11,255,878**

c. Valuation Techniques Used to Determine Level

The fair value of plant and equipment is based on their market value as determined by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the category of plant and equipment being valued.

The market value is the amount in which an asset should exchange at the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuation also assumes the assets will be sold by way of a private treaty sale and remain in its current location after the sale.

d. Reconciliation of Recurring Level 3 Fair Value Measurements

	2023 $	**2022 $**
Balance at the beginning of the year	11,255,878	11,903,829
Additions	164,640	234,136
Depreciation expense	(804,031)	(882,087)
Balance at the end of the year	**10,616,487**	**11,255,878**

Note 24: Contingent consideration payable

The contingent consideration payable in respect of the acquisition of the milk powder distribution business from Fei Fah Medibalm (HK) Co. which is subject to multiple earn out conditions based on Nature One Dairy (Hong Kong) Limited achieving certain outcomes in the financial years ending on 30 June 2023, 30 June 2024 and 30 June 2025 respectively. Given the proximity of these financial statements to the first earn out period, no fair value measurement shall be conducted for this period, pending completion of the earn out assessment.

Preliminary calculations reflect that the first earn out conditions have not been met, and thus the full vendor amount is still classified as non-current. Any amount payable to the vendor will be made by the Nature One Dairy (Australia) Pte. Ltd issuing new shares in accordance with a pricing formula.

Note 25: Events after the Reporting Period

On 7th June 2024, Mr Jason Aleksander Kardachi and Mr Borrelli Cosimo c/- Kroll Pte Ltd, were appointed as Joint and Several Judicial Managers of Nature One Dairy (Australia) Pte Ltd. (the " parent"). The Judicial Managers were discharged on 5 September 2024.

Other than the above appointment, there are no other events that have occurred after the balance date that would have an effect on the Group's financial statements other than those that are already reflected in the financial statements.

Directors' Declaration

In accordance with a resolution of the directors of Nature One Dairy Pty Ltd, Nature One Dairy (Singapore) Pte Ltd and Nature One Dairy (Hong Kong) Limited (the Group), the directors of the Group declare that:

1. the financial statements and notes, as set out on pages 9 to 42, are in accordance with the Corporations Act 2001and comply with Australian Accounting Standards, which, as stated in accounting policy Note1 to the financial statements; and

2. give a true and fair view of the financial position as at 30 June 2023 and 30 June 2022 and of the performance for the year ended on that date of the consolidated Group.

____

Director

Date: 24 September 2024

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Nature One Dairy Pty Ltd
Nature One Dairy (Singapore) Pte Ltd
Nature One Dairy (Hong Kong) Limited
Referred to as the ("Aggregated Group")

Independent Audit Report to the members of the Aggregated Group

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the accompanying financial report of the Aggregated Group (the Group), which comprises the statement of financial position as at 30 June 2023 and 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies, and the Directors' Declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial report of the Group presents fairly, in all material respects, the Group's financial position as at 30 June 2023 and 30 June 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the financial reporting framework described in Note 1 to the financial report.

Basis for Qualified Opinion

The Group's special purpose financial statements do not comply with all the recognition and measurement requirements in Australian Accounting Standards. The recognition and measurement requirements that have not been complied with relate to those specified in AASB 10 Consolidated Financial Statements. In the aggregated set of financial statements, given that there is no parent entity and control cannot be identified, the share capital and investments in subsidiaries have not been eliminated.

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 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of accounting

We draw attention to note 1 of these financial statements which describes the basis of accounting. These special purpose financial statements of the aggregated group of entities have been prepared to satisfy the Group's reporting requirements as part of a potential business combination. As a result, they may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and for such internal control as the directors determine necessary to enable the preparation of a 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 related 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 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 the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

Donovan Odendaal
Director
Sydney

Bentleys Sydney Audit

BENTLEYS SYDNEY AUDIT PTY LTD
Chartered Accountants

Date: 24 September 2024