



Bubs Australia Limited
ACN 060 094 742
2-4/6 Tilley Lane, Frenchs Forest
NSW 2086 Australia

1800 2827 2878 (1800 BUBS AUST)
info@bubsaustralia.com

BUBS AUSTRALIA LIMITED HALF YEARLY REPORT

Sydney 17 Feb 2017: Following its reverse takeover of Hillcrest Litigation Services Limited ("Hillcrest") and repurposing as Bubs Australia Limited ("Bubs"), then subsequent relisting, Bubs has released its auditor reviewed results for the half-year ended 31 December 2016.

Commenting on the result, Bubs Founder and Managing Director, Kristy Carr said: "The financial results are reflective of Bubs Australia being in an investment and expansion phase, laying the foundations to deliver the longer-term strategy. In that context we are very pleased with the progress we have made in terms of advancing our growth plans.

"A net loss from ongoing operating activities of \$1,250,290 for the period was driven by one off accounting and legal costs associated with the relisting, securing key personnel, marketing and new business development. This investment has provided the underpinnings to commence implementing our rapid expansion strategy.

"Domestic sales of Bubs infant formula and organic baby food products increased by 37 per cent over the same period last year with gains being made in all key sales channels, including retail grocery and pharmacy. However, a disparity in the volume of international shipments due to timing differences meant overall sales fell short of the previous comparable period.

"Since the half-year, we are pleased to be able to confirm major advancements, including wholesale distribution agreements with Sigma and Symbion that provide immediate access to some five thousand pharmacies across Australia, as well as a significant expansion of Bubs Infant Formula range availability in Coles.

"We appreciate the support of our cornerstone shareholders in bringing Bubs to market, and their ongoing confidence in our corporate vision. Bubs is well positioned to take advantage of opportunities in the infant formula and baby food sector, here and internationally," Mrs Carr said.



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Key Financials

- Net loss from ongoing operating activities of \$1,250,290 in The Infant Food Holding Co Pty Ltd ("IFC") [the owner of the Bubs brand]. Driven by one off accounting and legal costs associated with the relisting, securing key personnel, marketing and new business development.
- A one-off Corporate Transaction Accounting Expense of \$1,722,893 in connection with the reverse takeover and related share-based payments of \$561,769 make up the consolidated net loss after tax from continuing operations for the half-year of \$3,534,952. The Corporate Transaction Accounting Expense is a one-off, non-recurring accounting entry that represents the cost of the reverse acquisition to the Group. As this is not reflective of the continuing IFC business, a normalised loss has also been disclosed to exclude this value.
- Revenues of \$1,936,862 for the half (Dec 2015 \$2,276,338, prior to acquisition by Hillcrest Litigation Services (ASX:HLS) and subsequent re-listing as Bubs in January 2017).
- EBITDA of (\$1,204,677) (Dec 2015 (\$37,675)), normalised for the one-off Corporate Transaction Accounting Expense of \$1,722,893 in connection with the reverse takeover, and related share-based payments of \$561,769.
- Balance sheet and financial metrics are within financial covenants.

Outlook

"Globally organic foods and speciality milks are two of the fastest growing categories in the infant and food space, and while we make no forecasts, we are pleased with the rate of sales growth and channel expansion in our key markets. We plan to execute a number of exciting initiatives over the coming months and look forward to updating the market as they materialise," Mrs Carr said.

END

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About Bubs Australia Limited:

- Established 2005.
- Based in Sydney, Bubs has continually innovated and launched premium infant formula and organic baby food products under the brand 'Bubs,' catering for all stages of development from newborn to toddler.
- 100% of products are Australian made.
- First organic baby food pouch range to launch in Australia and certified by Australia's largest and most trusted accreditation body, Australian Certified Organic (ACO).
- Member of Infant Nutrition Council and signatory of MAIF agreement.
- Recipient of multiple industry and consumer awards, including 2016 National Finalist for Best Organic Product.
- Bubs products are sold in over two thousand stores in Australia and internationally, across major supermarkets, pharmacies and health food chains.
- The senior management has 40 collective years of experience in the FMCG and infant food industry, including Bubs Australia, Mars Inc, HJ Heinz and five:am organics amongst others.

Appendix 4D Half year report

Name of entity

Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)

ABN

Half yearly
(tick)

Preliminary
final
(tick)

63 060 094 742

✓

1. Details of reporting period

Current reporting period	31 December 2016
Previous corresponding period	31 December 2015

2. Results for announcement to the market

					31 December 2015		31 December 2016
2.1	Revenue	down	20.5%	from	\$2,193,443	to	\$1,744,222
2.2	(a) Loss after income tax expense	up	1830.0%	from	(\$183,162)	to	(\$3,534,952)
2.2	(b) Loss after income tax expense before Corporate Transaction Accounting Expense and Share-based Payments relating to the reverse takeover	up	582.6%	from	(\$183,162)	to	(\$1,250,290)
2.3	(a) Loss after income tax expense attributable to the members of Bubs Australia Limited	up	1830.0%	from	(\$183,162)	to	(\$3,534,952)

2.4	Dividends (distributions)	Amount per security	Franked amount per security
Current period:			
	Interim dividend for the half year ended 31 December 2016	-	-
	Final dividend for the year ended 30 June 2016	-	-
Previous corresponding period:			
	Interim dividend for the half year ended 31 December 2015	-	-
	Final dividend for the year ended 30 June 2015	-	-
2.5	Record date for determining entitlements to the dividend:	Refer section 5.0	

2.6 Brief explanation of any of the figures reported above and commentary on the results for the period:
Refer to the directors' report – Operating and financial review on page 2 of the 2016 Interim Report.

3. Net tangible assets per security

	30 June 2016 Cents [#]	31 Dec 2016 cents
Net tangible asset backing per ordinary security	6.60	4.91

[#] Normalised for reverse acquisition share balances on the same principles as disclosed in note 11(e) to the financial statements.

4. Control gained or lost over entities during the period

On 20 December 2016 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. As a result, the Consolidated statement of cash flows comprises the cash transactions of IFHC for the half year as well as the cash transactions of HLS from the date of acquisition (20 December 2016) up to the half year ended 31 December 2016. This transaction resulted in a corporate transaction accounting expense of \$1,722,893 and \$5,510,699 of cash being acquired.

At the general meeting of shareholders held on 30 November 2016 the shareholders approved the change of name of HLS to Bubs Australia Limited.

5. Details of dividends / distributions

Current period

No interim dividend was declared for the half year ended 31 December 2016.

For the year ended 30 June 2016, no final dividend was declared.

Previous corresponding period

No interim dividend was declared for the half year ended 31 December 2015.

For the year ended 30 June 2015, no final dividend was declared.

6. Details of dividend / distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Accounting standards used by foreign entities

Not applicable.

9. Qualification of audit / review

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

10. Attachments

Details of attachments (if any):

The interim report of Bubs Australia Limited for the half year ended 31 December 2016 is attached.

11. Signed



Kristy-Lee Newland Carr
Managing Director

17 February 2017

Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)

ACN: 060 094 742

Interim Report – 31 December 2016

Bubs Australia Limited
Contents
31 December 2016

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This general purpose interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Bubs Australia Limited
Corporate Directory
31 December 2016

Current Directors

Kristy-Lee Newland Carr	<i>Managing Director</i>
Dennis Lin	<i>Non-executive Director</i>
Matthew Reynolds	<i>Non-executive Director</i>

Company Secretary

Jay Stephenson

Registered Office

Street: 2-4/6 Tilley Lane
FRENCHS FOREST NSW 2086
Telephone: 1800 2827 2878
Email: info@bubsaustralia.com
Website: www.bubsaustralia.com

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000
Telephone: 1300 850 505 (investors within Australia)
Telephone: +61 (0)3 9415 4000
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
PERTH WA 6000
Telephone: 131 ASX (131 279) (within Australia)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
Website: www.asx.com.au
ASX Code [BUB](#)

Auditors

Ernst and Young
11 Mounts Bay Road
PERTH WA 6000
Telephone: +61 (0)8 9429 2222
Facsimile: +61 (0)8 9429 2436
Website: www.ey.com

Bubs Australia Limited
Directors' report
31 December 2016

The directors present their report on the consolidated entity consisting of Bubs Australia Limited (formerly Hillcrest Litigation Services Limited) (the 'Company' or 'BUBS') and the entities it controlled (the 'Group') at the end of, or during, the half year ended 31 December 2016.

Directors

The following persons were directors of Bubs Australia Limited during the whole financial period and up to the date of this report unless otherwise stated:

Kristy-Lee Newland Carr (appointed 20 December 2016)

Dennis Lin (appointed 20 December 2016)

Angus Middleton (resigned 20 December 2016)

Alan Van Noort (resigned 13 January 2017)

Matthew Reynolds (appointed 2 December 2016)

Jay Stephenson (resigned 20 December 2016)

Operating and financial review

The Infant Food Holding Co Pty Ltd ("IFHC") was founded in 2005 by Kristy-Lee Newland Carr and Anthony Gualdi who wanted to offer a quality organic alternative to conventional baby food. Based in Sydney, IFHC has partnered with leading Australian manufacturers and a team of industry experts to continually innovate and launch infant food products that sit side by side with established multinational brands. As set out in the "significant changes in the state of affairs and composition of the entity" section, during the year IFHC was acquired by Bubs Australia Limited (formerly known as Hillcrest Litigation Services Limited).

IFHC produces Australian-made, certified organic infant food products under the BUBS brand. The award-winning range includes first and second stage fruit and vegetable purees, protein meals, cereals and healthy toddler snacks. The recipes are based on organic ingredients, such as blueberries, chia and fig, with an allergy-friendly menu including gluten-free ancient grains, such as quinoa and amaranth, to cater to the rise in food intolerances in children.

IFHC also produces BUBS ADVANCED PLUS+ Goat Milk formula, which is made in Australia and available in 3 stages from infant to toddler. It blends goat whey protein with a balanced daily intake of essential fatty acids, vitamins, amino acids and prebiotics, including Omega-3 DHA & Omega-6 ARA, and Prebiotics GOS & FOS.

IFHC products are now sold Australia-wide in thousands of retail outlets, including major and independent supermarkets, department stores, organic and health food stores and pharmacies. The products are also sold on leading Chinese e-commerce platforms including JD.com, Tmall, VIP and Kaola.com, and are exported to South-East Asian and Middle East markets, including Singapore, Hong Kong and the United Arab Emirates

Significant Changes in the state of affairs and composition of the company

Reverse acquisition of The Infant Food Holding Co. Pty Limited

During the year the company changed its name from Hillcrest Litigation Services Limited (ASX: HLS) to Bubs Australia Limited (ASX:BUB).

The company raised \$5.15m pursuant to the offer under the prospectus issued by the company, dated 11 November 2016, by the issue of 51,500,000 fully paid ordinary shares at an issue price of \$0.10 per share.

Bubs Australia Limited
Directors' report
31 December 2016

The company acquired 100% of the issued share capital of The Infant Food Holding Co. Pty Limited on 20 December 2016 as part of a reverse takeover. Accordingly, for accounting purposes The Infant Food Holding Co. Pty Limited is considered to be the acquirer and ongoing business following the acquisition and comparative figures disclosed in this financial report will not reconcile to previous interim financial reports prepared and lodged by Bubs Australia Limited (formerly Hillcrest Litigation Services Limited).

Results for announcement to the market

The Group achieved revenue of \$1,744,222 (31 December 2015: \$2,193,443) and net loss after tax for the half year ended 31 December 2016 was \$3,534,952 (31 December 2015 loss: \$183,162). This result includes an accounting entry of "corporate transaction accounting expense", as a result of the reverse takeover of \$1,722,893. Net operating cash outflows were \$1,478,463 (31 December 2015: outflows of \$1,167,109) and as at 31 December 2016, the Group held cash and cash equivalents of \$6,076,333 (30 June 2016: \$2,081,606).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4 and forms part of this report.

This report is made in accordance with a resolution of the directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Kristy-Lee Newland Carr
Managing Director

17 February 2017

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

As lead auditor for the review of Bubs Australia Limited for the half-year ended 31 December 2016, 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 review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



T G Dachs
Partner
17 February 2017

Report on the half-year financial report to the members of Bubs Australia Limited

We have reviewed the accompanying half-year financial report of Bubs Australia Limited and its controlled entities (“the consolidated entity”), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the Bubs Australia Limited (“the company”) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bubs Australia Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the Directors’ Report.

Basis for qualified review conclusion

The predecessor auditors of the Company 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. Accordingly a qualified audit opinion was issued for the year ended 30 June 2015 as a result of this matter. Since opening inventory balances affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the half-year ended 31 December 2015 which are shown for the purposes of comparison.

The 31 December 2016 half year financial report is the first prepared by the consolidated entity. No review by the previous independent auditors was therefore undertaken for the half-year ended 31 December 2015. We have been unable to undertake alternative review procedures and were therefore unable to determine whether any adjustments were necessary in respect of the results of operations and cashflows of the consolidated entity for the half year ended 31 December 2015 which are shown for the purposes of comparison.

Qualified review conclusion

Because of the significance of the matters described in the Basis of qualified review conclusion paragraphs, we have not been able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion on the consolidated entity's results of operations and cashflows for the half year ended 31 December 2015 which are shown for the purposes of comparison.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bubs Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
17 February 2017

Bubs Australia Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2016

	Notes	Consolidated	
		Dec 2016 \$	Dec 2015 \$
Revenue from continuing operations			
Gross sales		1,936,862	2,276,338
Trading rebates		(192,640)	(82,896)
Total revenue		1,744,222	2,193,442
Cost of sales		(1,345,989)	(1,468,728)
Gross profit		398,233	724,714
Other income		3,626	-
Distribution and selling costs		(133,180)	(112,225)
Employee costs		(692,961)	(287,662)
Marketing and promotion costs		(352,294)	(168,360)
Occupancy costs		(40,373)	(29,435)
Administrative and other expenses		(387,728)	(164,707)
Depreciation expense		(53,250)	(40,481)
Finance costs		(1,767)	(114,410)
Share-based payment expenses		(561,769)	-
Corporate Transaction Accounting Expense	7	(1,722,893)	-
Loss before tax		(3,544,356)	(192,566)
Income tax benefit		9,404	9,404
Loss for the year		(3,534,952)	(183,162)
Other comprehensive income		-	-
Total comprehensive loss for the period		(3,534,952)	(183,162)

Loss per share (EPS) attributable to the members of Bubs Australia Limited	Notes	Dec 2016 (cents)	Dec 2015 (cents)
From continuing operations			
Basic and diluted loss per share	11	(2.15)	(0.29)

The accompanying notes form part of these financial statements.

Bubs Australia Limited
Consolidated Statement of Financial Position
As at 31 December 2016

	Notes	Consolidated	
		Dec 2016 \$	Jun 2016 \$
Assets			
Current assets			
Cash and cash equivalents		6,076,333	2,081,606
Trade and other receivables		1,028,124	753,342
Inventories		1,820,431	2,467,174
Total current assets		8,924,888	5,302,122
Non-current assets			
Property, plant and equipment		104,631	89,475
Intangible assets		1,314,029	1,349,067
Total non-current assets		1,418,660	1,438,542
Total assets		10,343,548	6,740,664
Liabilities			
Current liabilities			
Trade and other payables		752,009	1,120,238
Borrowings		4,824	3,557
Provisions	4	176,726	23,746
Total current liabilities		933,559	1,147,541
Non-current liabilities			
Borrowings		30,549	35,958
Deferred tax liabilities		208,742	218,146
Total non-current liabilities		239,291	254,104
Total liabilities		1,172,850	1,401,645
Net assets		9,170,698	5,339,019
Equity			
Issued capital	5	15,204,862	8,400,000
Other reserves	6	561,769	-
Accumulated losses		(6,595,933)	(3,060,981)
Total equity		9,170,698	5,339,019

The accompanying notes form part of these financial statements.

Bubs Australia Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2016

	Share Capital \$	Accumulated Losses \$	Options reserve \$	Total equity \$
Balance at 1 July 2015	2,000,000	(1,771,732)	-	228,268
Loss for the half-year	-	(183,162)	-	(183,162)
Total comprehensive loss for the half-year	-	(183,162)	-	(183,162)
Issue of shares	400,000	-	-	400,000
Balance at 31 December 2015	2,400,000	(1,954,894)	-	445,106

	Share Capital \$	Accumulated Losses \$	Options reserve \$	Total equity \$
Balance at 1 July 2016	8,400,000	(3,060,981)	-	5,339,019
Loss for the half-year	-	(3,534,952)	-	(3,534,952)
Total comprehensive loss for the half-year	-	(3,534,952)	-	(3,534,952)
Issue of options	-	-	561,769	561,769
Issue of shares	6,804,862	-	-	6,804,862
Balance at 31 December 2016	15,204,862	(6,595,933)	561,769	9,170,698

The accompanying notes form part of these financial statements.

Bubs Australia Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2016

	Notes	Consolidated	
		Dec 2016 \$	Dec 2015 \$
Cash flows from operating activities			
Receipts from customers		1,672,904	1,806,028
Payments to suppliers and employees		(3,153,226)	(2,973,137)
Interest received		1,859	-
Net cash used in operating activities		(1,478,463)	(1,167,109)
Cash flows from investing activities			
Cash acquired from reverse acquisition	7	5,510,699	-
Purchases of property, plant and equipment		(32,328)	(60,345)
Purchase of intangible assets		(1,040)	-
Net cash provided by/(used in) investing activities		5,477,331	(60,345)
Cash flows from financing activities			
Proceeds from shares issued		-	400,000
Interest paid on borrowings		-	(114,410)
Repayment of borrowings		(4,141)	-
Proceeds from borrowings		-	1,020,464
Net cash provided by/(used in) financing activities		(4,141)	1,306,054
Net increase in cash and cash equivalents		3,994,727	78,600
Cash and cash equivalents at the beginning of the period		2,081,606	12,032
Cash and cash equivalents at the end of the period		6,076,333	90,632

The accompanying notes form part of these financial statements.

Bubs Australia Limited
Notes to the Financial Statements
31 December 2016

Note 1. General information

The interim financial report covers Bubs Australia Limited as a consolidated entity consisting of Bubs Australia Limited and the entities it controlled for the half year ended 31 December 2016. The interim financial report is presented in Australian dollars, which is Bubs Australia Limited's functional and presentational currency.

Bubs Australia Limited (**Bubs**) 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 interim financial report was authorised for issue, in accordance with a resolution of directors, on 17 February 2017. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Act 2001, as appropriate for for-profit entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the financial report of the Infant Food Holding Co Pty Ltd for the year ended 30 June 2016 and any public announcements made by the Group during the interim reporting period in accordance the continuous disclosure requirements arising under the Australian Securities Exchange listing rules and the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

There has been no restatement of figures in prior periods.

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 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.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016 as well as the additional items noted below.

Note 2. Significant accounting policies (cont'd)

Share-based payments

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 6.

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.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. All applicable new standards and interpretations issued since 1 July 2016 have been adopted. There was no significant impact on the Group.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Note 3. Reverse acquisition

On 20 December 2016, the Company, formerly named Hillcrest Litigation Services Limited 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, its 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.

Bubs Australia Limited
Notes to the Financial Statements
31 December 2016

Note 3. Reverse acquisition (cont'd)

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 in note 7.

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 half-year ended 31 December 2016 comprise the results of the IFHC for the full half-year and the results of Bubs Australia Limited subsequent to the acquisition.

The comparative information provided is that of IFHC.

Note 4. Provisions

	Consolidated	
	Dec 2016 \$	Jun 2016 \$
Provision for long service leave	122,260	11,740
Provision for annual leave	54,466	12,006
Total provisions	176,726	23,746

The increase in provisions is substantially due to the consolidation of the provisions through the reverse acquisition of Bubs by IFHC.

Note 5. Issued capital

	Dec 2016 \$	Jun 2016 \$
238,540,888 (30 June 2016: 25,000) fully paid ordinary shares	15,204,862	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 of shares by IFHC – 11 April 2016	15,000	6,000,000
Balance at 30 June 2016	25,000	8,400,000
Deemed reverse acquisition of 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)
Balance at 31 December 2016	238,540,888	15,204,862

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

Note 6. Options reserve

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 30 June 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 consultant options expiring 20.12.2019	5,844,242	348,439
Balance at 31 December 2016	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

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.

The fair value of options is determined using the Black-Scholes or monte carlo pricing model.

Note 7. Reverse acquisition

On 20 December 2016, the Company, formerly named Hillcrest Litigation Services Limited 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.

Note 7. Reverse acquisition (cont'd)

At the time the Company's acquisition of IFHC, its 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.

Details of the fair value of the identifiable net assets acquired and the excess consideration 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
Excess consideration arising on reverse acquisition	1,722,893

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

Note 8. Related party transactions

Parent entity

a. Legal parent entity

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

Legal subsidiaries	Country of Incorporation	Class of Shares	Percentage Owned	
			Dec 2016	Jun 2016
• The Infant Food Holding Co. Pty Limited	Australia	Ordinary	100%	-
• The Infant Food Co. Pty Limited	Australia	Ordinary	100%	-
• Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Ordinary	100%	-

Bubs Australia Limited
Notes to the Financial Statements
31 December 2016

b. Accounting parent entity

The Infant Food Holding Co. Pty Limited is the accounting parent of the Group

Note 8. Related party transactions (cont'd)

Accounting subsidiaries	Country of Incorporation	Class of Shares	Percentage Controlled	
			Dec 2016	Jun 2016
• Bubs Australia Limited (formerly Hillcrest Litigation Services Limited)	Australia	Ordinary	100%	-
• The Infant Food Co. Pty Limited	Australia	Ordinary	100%	100%
• Bubs IP Pty Ltd (formerly Bubs Australia Pty Limited)	Australia	Ordinary	100%	100%

c. Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	Dec 2016 \$	Dec 2015 \$
Payment for other expenses		
Lease of premises in Narrabeen used as head office that is leased by Anthony Gualdi	19,934	16,842
Payments to related parties	19,934	16,842

Note 9. Events after the reporting period

On 3 January 2017, the company recommenced trading on the ASX. On 13 January 2017, Mr Alan van Noort retired as Chairman of the Board of Directors.

Apart from the above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or could significantly affect the reported results from operations or financial position for the period then ended.

Note 10. Segment information

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors 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 and single geographical segment and regulatory environment being Australia.

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 Board of Directors.

Note 11. Earnings per share

		Dec 2016 \$	Dec 2015 \$
a. Reconciliation of earnings to profit or loss			
Loss for the year		(3,534,952)	(183,162)
Loss used in the calculation of basic and diluted EPS		(3,534,952)	(183,162)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS			
		Dec 2016 No.	Dec 2015 No.
	1e	164,216,749	63,726,000
c. Earnings per share			
		Dec 2016 ¢	Dec 2015 ¢
Basic EPS (cents per share)		(2.15)	(0.29)
Diluted EPS (cents per share)	11d	(2.15)	(0.29)

d. As at 31 December 2016, the Group has 9,422,350 unissued shares under options (31 December 2015: nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the half year ended 31 December 2016 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 half year ended 31 December 2016:

- (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.

ii. The basic EPS for the half year ended 31 December 2015 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 12. Financial assets and financial liabilities

For all financial assets and financial liabilities the carrying value is considered to be a reasonable approximation of fair value due to their short-term nature.

Bubs Australia Limited and Controlled Entities
Directors' declaration
31 December 2016

In the opinion of the Directors of Bubs Australia Limited:

- a) The consolidated financial statements and notes of Bubs Australia Limited are in accordance with the *Corporations Act 2001*, including:
 - i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
 - ii) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the directors:



Kristy-Lee Newland Carr
Managing Director

17 February 2017