



YPB Group Limited

ACN 108 649 421

Annual Report

31 December 2023

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Executive Chairman and CEO's Report to Shareholders

Dear fellow shareholders,

I am pleased to present YPB Group's Annual Report for the year ended 31 December 2023.

While far from satisfied with 2023's financial outcomes, our attention to maximising the productivity of all our expenditure has continued the trend of the past few years and taken us still closer to profitability with lower cash burn and a smaller *operating* loss.

Most importantly, however, I believe that after years of innovation we made a profound breakthrough in 2023 in creating *the* vehicle that sets us well on the path to becoming a profitable, self-funding entity.

That vehicle is ConnectQR, the synthesis and pinnacle of our 7 years invaluable experience and success in QR code technology and QR SaaS platform creation, together with our great expertise in brand protection technologies.

Post pandemic, QR codes are expanding virally as a means of direct consumer engagement from the smallest to the largest imaginable applications. This has created a market for self-service QR code generation and management that is being served by online QR platforms.

ConnectQR, launched in Q1 2024, is such a platform and is a most exciting step forward for the Company. Its success, which I think highly likely due to our deep experience in the space and superior offer, would transfigure our financial results and the Company's future given its unlimited scalability, and I am eagerly anticipating its progress in the year ahead.

ConnectQR's path to market will be online, employing a variety of sophisticated marketing techniques. Our skills in this domain have rocketed in the past year and our marketing plan is yielding excellent results in the short time since ConnectQR's launch.

Not only is ConnectQR able to rapidly drive improvement in our financial performance in its own right, we expect that it will draw enquiry and demand for our other solutions

at a scale beyond anything achieved in the past and at much lower cost than traditional, and typically much slower, routes to market.

YPB has clearly become a stronger and more valuable business over the past few years. The technical progress and flexibility of our now modular IP library means we can rapidly develop innovative solutions for big markets, such as instant lotteries and heavy machinery safety, as and when opportunities arise. In addition, the commercial value of all our bread-and-butter products has increased via uniform connectivity, data generation, and analytical capabilities

Commercial and R&D developments

2023's most significant achievement was the upgrading of the Connect SaaS platform to become the hub for the entire YPB product suite, creating data generation and analysis capabilities that magnify the potential value of the entire intellectual property portfolio.

The most consequential development in that regard was [ConnectQR](#) described earlier. ConnectQR is the newest module of YPB's proven Connect™ SaaS consumer engagement and anti-counterfeit platform. It is the culmination of YPB's years of development and knowledge in:

- Authentication, serialisation, Track'n'Trace solutions;
- Mobile device scanning technologies; and Direct consumer engagement technologies and software solutions.

Its great potential lies in it being:

- A global self-service SaaS offer;
- Into a rapidly growing market;
- With high scalability;
- At negligible incremental cost; and
- A clear competitive edge over present in-market offers.

These attributes imply an ability to scale both revenue and profit at speed as the product gains traction. Should that happen, YPB's financial performance would transform dramatically and rapidly.

Numerous significant new opportunities were closed in the period that highlight three key themes:

- The capacity of the company to adapt existing solutions to new applications for potentially large markets at negligible incremental cost e.g. instant lotteries, heavy machinery OH&S.
- The relevance of QR technology to the virally expanding drive by businesses to have direct engagement with their end consumers e.g. rice brands in Peru.
- The ability of the company to win customers globally, also at minor incremental cost and well below the cost of traditional methods, via online marketing and remote deal closure with new offshore customers in the USA, Peru, South Korea and Africa

Together, these facts mean:

- that our technology has much wider application than had been hitherto explored;
- that our technology has strong commercial appeal;
- that we are skilled in rapidly assembling novel solutions to complex problems via our modular tools; and
- that a truly global market is accessible at low cost.

2023 result driven by intense cost control while still advancing R&D at pace

2023 saw yet another significant step in YPB's advance toward profitability with a further reduction in the *operating* cash loss of the business.

This financial progress was driven by cost control and was achieved despite revenues falling short of plan.

Adjusting for non-operational items, the net operating loss for the business saw a 21% improvement on the prior year to \$2.822m. Tight cost control was the prime driver, with the elimination of unproductive consulting and sales staff, the full year benefits of a finance team restructure in 2022, and overall strict management of ancillary costs.

Revenue was up 22% in 2023 but was nevertheless disappointing with China

losing significant momentum in the covid lockdowns of 2021 and 2022 leading to orders and opportunities in 2023 rebuilding more slowly than anticipated, and new business taking longer to consummate than expected;

Gross margin (revenue less production costs) rose to 97% in 2023 from 95% due to sales mix. This high gross margin reflects the intellectual property strength of YPB's products. It is also central to the drive toward profitability with each incremental sales dollar contributing almost entirely to profit. The anticipated growing revenues from our exciting new product, ConnectQR, will be effectively incremental pure profit.

Cashflow improvement confirmed the profit improvement. Net cash used in operations as reported improved to \$2.3m but pre finance and interest costs it improved to \$2.1m.

The cashflow shortfall in the year was funded by new equity and new borrowings. New equity raised was \$1.50m, down from \$2.03m in the prior year, continuing the trend of lower new equity issuance by the company. The board always strives to minimise shareholder dilution while facing the reality of funding the company. I personally reiterated my faith in the company's prospects with a further \$1.0m loan in 2023 taking my total loan fund exposure to \$2.0m as at balance date 2023. I am also a substantial shareholder in the Company.

In addition, we signed an at-the-money equity issuance facility with Dolphin Securities in November 2023. ATMs avoid the discounts typical of most new equity issuance and are widely used throughout US equity markets. The facility has had negligible use to date.

We continued R&D investment in MotifMicro, our smartphone-readable anti-counterfeit technology, and made further progress on AI/Machine Learning technologies. Nevertheless, despite the advances made, the emergence of new smartphone models especially Android and advances in camera technology have meant the commercialisation of this technology is behind plan and an

impairment charge of \$577k was recognised as at year end 2023.

Further, a provisional impairment of the \$331k licence from NVISO, intended for the development of AI-based verification tools, was taken at year end as the likelihood of a successful product arising from that licence is in question due to unexpected difficulties at NVISO.

I would like to thank our Shareholders and all staff and stakeholders in the business for their support in 2023.

I look forward to 2024 and paving the path to profitability.

John Houston, Executive Chairman and CEO

Directors' Report

The directors present their report and the financial statements of YPB Group Limited (the "Company") and its controlled entities (the "Consolidated Entity", the "Group") for the financial year ended 31 December 2023.

1. Directors and Company Secretary

The following persons were directors of the Company since the start of the financial year to the date of this report unless otherwise stated.

Executive Chairman

John Houston

Non-Executive Directors

Su (George) Su

Gerard Eakin

Joint Company Secretary(s)

Lucy Rowe

Shelby Coleman

Particulars of each director's experience and qualifications are set out later in this report.

2. Principal Activities

The principal activity of the Group during the financial year was as a sales, marketing and developer of anti-counterfeiting, product authentication and consumer engagement solutions to brand owners globally.

3. Review of Operations

Please refer to the Executive Chairman and CEO's report on page 3 of this Annual Report.

4. Financial Results

The reported net loss increased 35% to \$4,459,632 (2022: \$3,301,603). This result included an impairment of the patent licence rights of \$576,473 and NVISO licence of \$331,324 in 2023 (2022: Nil). The EBITDA loss of \$3,773,023 for 2023 was 18% higher than that of 2022. Net cash used in operating activities of \$2,256,845 in 2023 (2022: \$2,850,859) was 21% lower than 2022.

Revenue increased by 22% to \$677,888 in 2023 from \$555,941 in 2022 mainly from legal settlement of a trade debtor, while new business is taking longer to consummate than expected.

Net cash used in operations as reported improved 21% to \$2.3m but pre finance and interest costs it improved 26% to \$2.1m.

The patent licence rights of \$5,173,093 represents the historical value of the MotifMicro acquisition less an accumulated impairment charge of \$3,540,357, of which \$576,473 was recognised in 2023.

The impairment assessment in 2023 was performed internally via a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The impairment testing indicated that the recoverable amount of the patent licence rights was less than the carrying amount and therefore an impairment loss was recognised during the financial year 2023 (2022: Nil). Key assumptions utilised are further detailed in Note 17 to the financial statements.

The impairment loss recognised can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

The Company has also made an impairment provision against the \$331,324 licence from NVISO for the development of AI-based verification tools, reflecting doubts about the likelihood of a successful product arising from that licence at present.

During 2023, a total of \$1,420,000 was raised via new equity placements to fund the ongoing operations of the Group. The net assets of YPB were \$1,781,685 as at 31 December 2023 (2022: \$4,320,287). Cash at balance date was \$567,572 (2022: \$641,408).

The Company also signed an at-the-money equity issuance facility with Dolphin Securities in November 2023. This offers our company a cost-effective and flexible method for raising equity capital.

The Company has a history of securing external funding support as required. Given the strong technical and commercial progress being made, the Board considers it likely that external funding support will be available in future if and when necessary.

Significant Changes in State of Affairs

Other than the information set out in the CEO's report and activities section of this annual report, there are no significant change in the state of affairs that the Group has not disclosed.

5. Future Developments, Prospects and Business Strategies

See Executive Chairman's and CEO's Report on page 3.

6. Dividends Paid

No dividends have been paid or have been recommended for payment in respect of the financial year ended 31 December 2023.

7. Events Subsequent to Balance Date

The following events have occurred since 31 December 2023:

- On 15 February 2024, YPB entered a mandate to raise capital.
- On 28 March 2024 the board agreed to a further \$250,000 debt facility at arm's length which will be received through a loan facility from J F Houston Holdings Pty Limited and The Bimm Corporation Pty Ltd, related parties.

Other than the above, no matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

8. Information on Directors and Company Secretary

John Houston

Executive Chairman

John Houston has over 40 years of international business experience in countries including Australia, New Zealand, Sri Lanka, Singapore, Thailand and Switzerland. John privately funded YPB initially and listed the Company on the ASX in 2014. John has extensive international experience including building a USD \$2 billion "Greenfield" mobile phone operation in Thailand, running a USD \$350m EBITDA mobile Company in Switzerland, and selling an international Broadband Company for a 70x multiple of EBITDA in a cash sale to NTT DoCoMo of Japan.

Other current public company directorships: Nil

Su (George) Su

Non-Executive Director

Mr Su is the CEO and Managing Director of Richlink Capital Pty Ltd which is a Chinese financial services group with offices in Sydney and major Chinese cities. He was born and educated in Beijing before continuing his education in the USA. He holds a Bachelor of Arts Degree in Business Administration from Hamline University, St Paul, Minnesota.

Previously, Mr Su headed CITIC Securities Australian operation between 2009 and 2013 with special focus on cross border transactions between Australia and China. Mr Su has lived and worked in China, Hong Kong, Singapore and Australia and now resides in Sydney. He held senior positions in a Chinese government-controlled investment company, was the managing director of a Singapore based venture group and was an independent director of Macquarie Bank's China property fund between 2006 and 2014.

Over the years, Mr Su served as non-executive director of several ASX listed companies and is currently non-executive director of Lithium Plus Minerals Limited (ASX: LPM). He is currently Chairman of Greentech Minerals Limited, a public non-listed company developing a high purity quartz project in Queensland. He has no other public company directorships within the last 3 years.

Gerard Eakin**Non-Executive Director**

Mr Eakin has had a 35 year-plus career in Australian equities in both portfolio management and equity research. His focus has been identifying and supporting young companies with superior potential. He is the founder of Manifest Capital Management and manages Australian equity portfolios for a select group of high net-worth investors.

Previously, he was the Head of Australian Equities at Rothschild Australia Asset Management managing funds of approximately \$3 billion and the Head of Smaller Companies Research at JP Morgan/Ord Minnett and Merrill Lynch.

Other current public company directorships: Nil.

Lucy Rowe**Joint Company Secretary**

Lucy Rowe is a Chartered Secretary with almost 15 years of experience in providing Company Secretarial services to ASX listed companies. She has worked as corporate secretary in various companies where her responsibilities included managing board processes, ensuring compliance with legal requirements with ASX, ASIC and other regulators, providing advice to directors, policy formulation and implementation, and managing additional board committees, among others.

Shelby Coleman**Joint Company Secretary (appointed 26 June 2023)**

Ms Coleman is experienced in ASX and ASIC compliance, providing advice on corporate governance and other regulatory matters for ASX listed companies across a range of industries. Ms Coleman holds a Bachelor of Laws and a Bachelor of Arts from Victoria University of Wellington, and is an affiliate member of the Governance Institute of Australia

9. Material Risks to the Company

Identifying and mitigating key business risks that may affect our strategy and performance plays a significant role as part of the Group's corporate governance. The following outlines key risks identified in the governance process which can be read in addition to other risks outlined in this report.

Intellectual property: To market and protect our market position, it is important for the Company to protect the intellectual property in its brand and the technology however there may be situations where it cannot be protected or is subject to changed conditions, unauthorised disclosure, infringement, or challenge by a third party.

Reliance on key personnel: The Company relies on the experience and knowledge of its senior management team, in particular the CEO and the Company is dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel left the Company and it was unable to recruit suitable replacements, such loss could have a materially adverse effect on the Company.

Increased competition: The anti-counterfeit and brand protection consumer engagement market is highly competitive. This competition has intensified as a result of improvements in technology. If the Company's technology proves to be less successful or more costly than its competitors products, the business of the Company could be adversely affected.

Growth prospects and Company expansion plans: The Company's growth prospects are dependent upon a number of factors, including, customer take up, execution of new product development and "go to market" of new products. There is a risk that the Company may encounter potential issues arising from operating in foreign jurisdictions, including marketing restrictions, regulations regarding anti-counterfeit and consumer engagement.

Technology Research & Development (R&D): In the short term, the Company continues to make efforts that are aimed at the commercialisation of MotifMicro including, but not limited to, activities in respect to consumer application development, smartphone readability and artificial intelligence enhancements, fabrication, beta sampling and product testing. These "R&D" activities are ongoing prior to the commercialisation of MotifMicro. The Company believes that favourable developments in these areas would likely have a positive effect on the Company's financial performance and conversely if the Company fails to successfully accomplish these developments then its financial performance is likely to be negatively affected.

Reliance on key supplier relationships: The Company relies on various key supplier relationships for certain parts of its business. The loss or impairment of any of these relationships could have a material adverse effect on the Company's results of operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less attractive to the Company.

Delivery risk: Due to the nature of the Company's key products being manufactured in the PRC, the potential exists for delays or cancellations in the delivery of products without any practical recourse being available to the Company to recover lost earnings.

Funding: While the Company believes it will have sufficient funds after completion of capital and/or debt placement (outlined elsewhere in this report) to meet all of its

growth and capital requirements for the near term, the Company may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such debt or capital on favourable terms or at all.

Potential for dilution: The issue of the Shares and Options pursuant to Offers made to the Capital markets will result in dilution to the Shareholders, and any exercise of Options into Shares will result in Shareholders being diluted through the issue of new Shares.

Other: Other more general risks which are relevant to the Company include litigation, regulatory and Government risk, reliance on access to the internet and AWS (Amazon Web Services) cloud services which house our Connect platform and cybersecurity vulnerability. The Company actively manages both visibility and resolution of risks that arise in the course of business.

10. Meetings of Directors

During the financial year, 11 formal board meetings of directors were held. During the year the full Board dealt with all relevant matters and no separate meetings of either the Remuneration or Audit Committees of the Board were held. Attendance by each director during the year was as follows:

Director	Board Meetings	
	Number eligible to attend	Number attended
John Houston	11	11
Gerard Eakin	11	11
Su (George) Su	11	11

11. Remuneration Report (Audited)

This section presents the nature and amount of remuneration for persons who were classified as Key Management Personnel (KMP) of the Group during the 2023 financial year.

Remuneration Policy

The remuneration policy of the Group has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and a variable (at risk) component. The Board of the Company believes the remuneration policy is appropriate for the current stage of development of the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive an agreed mix of fixed salary (which is based on factors such as experience and level of responsibilities), superannuation, fringe benefits and an annual cash performance incentive. The Group's Remuneration Committee will review and make recommendations to the Board in respect of executive packages on an annual basis. Reference will be made to the Group's performance, executive performance and

comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive. Performance criteria include factors relating to the responsibilities of each position as well as company-wide factors such as the forecast growth of the Group's profits. All bonuses are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and can recommend changes to the committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Where non-executive directors provide additional services to the Group, this must be approved in advance by the remuneration committee chair.

Performance Based Remuneration

As part of each executive director and executive's remuneration package there is a performance-based component, which is paid on achievement of key performance indicators ("KPIs"). The program seeks to align goals of directors and executives with that of the Company and its shareholders. The KPIs are reviewed annually by the Board in consultation with executives.

The measures are tailored to the areas each executive has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

A total of \$120,000 performance payment rights were issued to COO during the year and some performance conditions were met during the year. This has been reflected in the remuneration summary.

Details of Remuneration for the Year Ended 31 December 2023

The remuneration for each key management personnel is set out in the table below.

In \$	Short-term Benefits		Post-employment	Share-based payments	Total
	Monetary	Non-monetary	Superannuation benefits		
Executive Chairman					
John Houston ¹	180,623	300,842	-	-	481,466
Non-executive Directors					
Su (George) Su ²	-	40,000	-	-	40,000
Gerard Eakin ³	39,993	40,000	-	-	79,993
Executives					
Martin Ross (COO) ⁴	190,000	-	-	64,286	254,286
	<u>410,616</u>	<u>380,842</u>	<u>-</u>	<u>64,286</u>	<u>855,745</u>

1: A portion of the salary of the CEO of \$300,842 for the period from January 2023 to December 2023 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash.

2: The director fee of \$40,000 for the period from January 2023 to December 2023 is expected to be settled by issuance of Performance Rights (PR) in lieu of cash settlement.

3: The director fee of \$40,000 for the period from January 2023 to December 2023 is expected to be settled by issuance of Performance Rights (PR) in lieu of cash settlement.

4: The salary of the COO for the period from January 2023 to December 2023 has been paid in cash monthly. A total of \$120,000 Performance Rights (PR) were issued to Martin Ross during the year and part of the performance rights vesting conditions (\$64,286) were met during the year.

Details of Remuneration for the Year Ended 31 December 2022

The remuneration for each key management personnel is set out in the table below.

<i>In \$</i>	Short-term Benefits		Post-employment	Share-based payments	Total
	Monetary	Non-monetary	Superannuation benefits		
Executive Chairman					
John Houston ¹	180,424	289,507	-	-	469,931
Non-executive Directors					
Su (George) Su ²	-	-	-	40,000	40,000
Gerard Eakin ³	39,993	-	-	40,000	79,993
Executives					
Adrian Tan (CFO) ⁴	103,963	-	-	-	103,963
Martin Ross	190,000	-	-	-	190,000
	<u>514,380</u>	<u>289,507</u>	<u>-</u>	<u>80,000</u>	<u>883,887</u>

1: A portion of the salary of the CEO of \$289,507 for the period from January 2022 to December 2022 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash.

2: The director fee of \$40,000 for the period from January 2022 to December 2022 was settled by issuance of Performance Rights (PR) in lieu of cash settlement.

3: The director fee of \$40,000 for the period from January 2022 to December 2022 was settled by issuance of Performance Rights (PR) in lieu of cash settlement.

4: The salary of the CFO for the period from January 2022 to May 2022 had been paid out in cash in May 2022 including amounts accrued in the prior period totalling \$191,544. With the departure of the CFO, Mr Colin Turner (the current Financial Controller) was given an expanded role to oversee the re-build of the Finance team in Thailand.

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received during the year	Conversion from exercise of Performance rights	Disposals/ Other	Balance at the end of the year
<i>Group KMP</i>					
John Houston	53,723,332	90,308,769	-	-	144,032,101
Su (George) Su	1,112,233	-	800,000	-	1,912,233
Gerard Eakin	1,044,416	-	800,000	-	1,844,416
Martin Ross	830,618	22,303,844	10,000,000	-	33,134,462
	<u>56,710,599</u>	<u>112,612,613</u>	<u>11,600,000</u>	<u>-</u>	<u>180,923,212</u>

Options and performance rights

There were performance rights over ordinary shares in the Company that were granted as compensation to key management persons during the year ended 31 December 2023.

Options and performance rights over equity instruments

The movement during the year, by the number of rights and options over ordinary shares in YPB Group Limited held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 Jan-23	Granted	Exercised	Lapsed	Held at 31 Dec-23	Vested and exercisable	Unvested
Options							
John Houston	-	290,308,769	-	-	290,308,769	290,308,769	-
Su (George) Su	-	-	-	-	-	-	-
Gerard Eakin	-	-	-	-	-	-	-
Martin Ross	-	22,303,844	-	-	22,303,844	22,303,844	-
Performance rights							
John Houston	-	-	-	-	-	-	-
Su (George) Su	800,000	-	(800,000)	-	-	-	-
Gerard Eakin	800,000	-	(800,000)	-	-	-	-
Martin Ross	-	40,000,000	(10,000,000)	-	30,000,000	30,000,000	-

Employment Contracts of Directors and Senior Executives

The terms of employment for all directors and senior executives are formalised in contracts of employment. The key terms of the contracts with Directors and specified executives except the Executive Chairman are:

- none of the contracts have fixed terms;
- resignation period or termination by the Group is between one- and six-months' notice; and
- termination or redundancy payments by the Group are not specifically provided for in the contracts, however, will be payable in accordance with relevant Federal or State legislation.

The services of the Executive Chairman are provided pursuant to a Contract with a Service Company.

The contract was renewed for a further 3-year period after the expiration of the first 3-year period which commenced from the date of the completion of the Share Sale and Purchase Agreement, and includes the following key terms:

- Resignation period or termination by the Group is twelve months' notice;
- Termination or redundancy payments by the Group are not specifically provided for in the contracts, however, will be payable in accordance with the relevant Federal or state legislation; and
- No termination payments are payable in respect of resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Group can terminate employment at any time.

Other transactions with key management personnel

A number of key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. See Note 27 to the financial statements for related parties' disclosures.

From time to time, directors of the Group, or their related entities may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers, and are trivial or domestic in nature.

12. Indemnification of Directors, Officers and Auditor

Pursuant to Article 103 of its Constitution, the Company insures and indemnifies its current and former directors and officers, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith.

Each Director and Secretary named in the Directors and Secretary section of this report and any past director or secretary, has entered into a Deed of Indemnity with the Company on these terms. No indemnity has been provided to the Company's auditor.

13. Insurance Premiums

The Company has paid an insurance premium in respect of a contract insuring against liability of Directors and Officers in accordance with the Company's Constitution and the *Corporations Act 2001*.

The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liability insured against. The Company has paid the insurance premium in respect of cover which may apply in relation to liabilities of the type referred to in Section 199B of the *Corporations Act 2001*.

14. Non-Audit Services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that non-audit services provided by the auditor, or its network firms, did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

15. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2023 will be included on page 23 of this Annual Report.

16. Proceedings on Behalf of Company

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

17. Rounding of Amounts

Amounts in the financial statements have been rounded off to the nearest dollar.

18. Total Options on Issue

At the date of this report, there are 517,875,316 options over unissued shares in YPB Group Ltd as set out below:

Number	Exercise price	Expiry date
640,000	\$11.25	12 December 2026
640,000	\$13.75	12 December 2026
640,000	\$16.25	12 December 2026
640,000	\$8.75	12 December 2026
200,000,000	\$0.005	16 January 2026
112,612,613	\$0.005	30 June 2024
<u>202,702,703</u>	<u>\$0.005</u>	<u>31 August 2024</u>
<u>517,875,316</u>		

Signed in accordance with a resolution of the Board of Directors


John Houston
Executive Chairman and CEO

Dated this 28th day of March 2024

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF YPB GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of YPB Group Limited and the entities it controlled during the year.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

BRISBANE
28 MARCH 2024

Financial Report

31 December 2023

YPB Group Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Revenue	9	677,888	555,941
Expenses			
Production costs		(17,322)	(26,824)
Consulting fees		(367,625)	(786,354)
Depreciation and amortisation expense		(38,032)	(22,920)
Directors' fees		(80,000)	(80,000)
Employee benefits expense		(886,281)	(1,251,619)
Finance costs		(648,577)	(74,631)
Rental expenses		(139,288)	(99,260)
Research and development		(804,885)	(683,828)
Marketing expense		(104,398)	(49,711)
Investor relations		(101,668)	(128,780)
Travelling expense		(73,907)	(129,572)
Share-based payments		(50,667)	(377,416)
Regulatory expenses		(90,232)	(121,071)
Professional fees		(211,782)	(211,362)
Other expenses		(585,184)	(549,206)
Exchange gain/(loss)		(29,875)	735,010
Impairment of intangible assets	17	(907,797)	-
Loss before income tax	10	(4,459,632)	(3,301,603)
Income tax (expense)/benefit	11	-	-
Net loss after tax for the year attributable to the owners of YPB Group Ltd		(4,459,632)	(3,301,603)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(60,368)	(415,180)
Other comprehensive income/(loss) for the year, net of tax		(60,368)	(415,180)
Total comprehensive loss for the year attributable to owners of YPB Group Ltd		(4,520,000)	(3,716,783)
		Cents	Cents
Basic earnings/(loss) per share	32	(0.69)	(1.02)
Diluted earnings/(loss) per share	32	(0.69)	(1.02)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of financial position
As at 31 December 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	567,572	641,408
Trade and other receivables	13	358,323	328,987
Other assets	14	97,494	374,685
Inventories	15	175,262	193,464
Total current assets		1,198,651	1,538,544
Non-current assets			
Plant and equipment	16	17,023	31,821
Intangible assets	17	5,173,093	5,804,800
Total non-current assets		5,190,116	5,836,621
Total assets		6,388,767	7,375,165
Liabilities			
Current liabilities			
Trade and other payables	18	2,582,658	2,033,793
Financial liabilities	19	2,024,424	1,021,085
Total current liabilities		4,607,082	3,054,878
Total liabilities		4,607,082	3,054,878
Net assets		1,781,685	4,320,287
Equity			
Issued capital	20	85,426,969	83,877,039
Reserves	21	2,433,896	2,406,357
Accumulated losses		(86,079,180)	(81,963,109)
Total equity		1,781,685	4,320,287

The above statement of financial position should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2023

Consolidated	Issued capital	Foreign currency translation reserve	Issued options	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2023	83,877,039	1,777,530	210,000	418,827	(81,963,109)	4,320,287
Loss after income tax for the year	-	-	-	-	(4,459,632)	(4,459,632)
Other comprehensive income for the year, net of tax	-	(60,368)	-	-	-	(60,368)
Total comprehensive income/(loss) for the year	-	(60,368)	-	-	(4,459,632)	(4,520,000)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	1,479,930	-	-	-	-	1,479,930
Performance rights exercised during the year	70,000	-	-	(70,000)	-	-
Performance rights lapsed during the period	-	-	-	(343,560)	343,561	1
Performance rights issued during the year	-	-	-	144,000	-	144,000
Options granted during the year	-	-	357,467	-	-	357,467
Options lapsed during the year	-	-	-	-	-	-
Balance at 31 December 2023	85,426,969	1,717,162	567,467	149,267	(86,079,180)	1,781,685

The above statement of changes in equity should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2023

Consolidated	Issued capital	Foreign currency translation reserve	Issued options	Share- based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,805)	5,385,854
Prior period adjustment	-	-	-	-	(45)	(45)
Adjusted balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,850)	5,385,809
Loss after income tax for the year					(3,301,603)	(3,301,603)
Other comprehensive income for the year, net of tax	-	(415,180)	-	-	-	(415,180)
Total comprehensive income/(loss) for the year	-	(415,180)	-	-	(3,301,603)	(3,716,783)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	2,103,239	-	-	-	-	2,103,239
Performance rights lapsed during the period	-	-	-	(80,805)	-	(80,805)
Performance rights issued during the year	-	-	-	418,827	-	418,827
Options granted during the year	-	-	210,000	-	-	210,000
Options lapsed during the year	-	-	(767,344)	-	767,344	-
Balance at 31 December 2022	83,877,039	1,777,530	210,000	418,827	(81,963,109)	4,320,287

The above statement of changes in equity should be read in conjunction with the accompanying notes.

YPB Group Ltd
Consolidated statement of cash flows
For the year ended 31 December 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Cash flows from operating activities			
Receipts from customers and receivables		909,193	500,981
Payments to suppliers and employees		(2,974,960)	(3,300,679)
Interest received		16,550	2,385
Finance costs		(207,628)	(53,546)
Net cash used in operating activities	30	(2,256,845)	(2,850,859)
Cash flows from investing activities			
Payments for plant and equipment		(6,025)	(3,842)
Payment for intangible assets		(300,000)	-
Proceeds from disposal of plant and equipment		1,552	235
Net cash used in investing activities		(304,473)	(3,607)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		1,499,930	2,030,384
Proceeds from borrowings		1,000,000	1,500,000
Repayment of borrowings		-	(500,000)
Net cash inflows from financing activities		2,499,930	3,030,384
Net (decrease)/increase in cash and cash equivalents		(61,388)	175,918
Cash and cash equivalents at the beginning of the financial year		641,408	531,477
Effect of movements in exchange rates on cash held		(12,448)	(65,987)
Cash and cash equivalents at the end of the financial year	12	567,572	641,408

The above statement of cash flows should be read in conjunction with the accompanying notes.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

1. Reporting entity

YPB Group Limited (the "Company") is domiciled in Australia.

The Company's registered office is at Level 5, 126 Philip Street, Sydney NSW 2000. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The separate financial statements of the parent entity, YPB Group Limited, have not been presented within the financial report as permitted by the *Corporations Act 2001*. Parent company financial information is disclosed in Note 28.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

2. Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 28 March 2024.

The Group's accounting policies have been consistently applied unless stated otherwise, and are disclosed in Note 6 *Material Accounting Policy information*.

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

i. Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet all its commitments, and the Group will be cash flow positive for at least the next 12 months from the date of this report.

The Group incurred an operating loss after income tax of \$4,459,632 and had a deficiency of operating cash flows of \$2,256,845 for the year ended 31 December 2023. As at 31 December 2023, the Group has cash and cash equivalents of \$567,572 and a deficiency in net current assets of \$3,408,431.

While preparing the cash flow forecasts, the Directors noted the following:

- Confidence in achieving the forecasted sales growth for 2024 based upon the roadmap to develop and commercialise the core YPB products. Additionally, the recent launch of new product, ConnectQR which expected to contribute significantly to the revenue stream of 2024. While the company continuing to grow the opportunity pipeline in key industries and sectors and ultimately convert into revenue;
- The signing of a mandate to raise capital as outlined in note 31.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

- The Group is continuing to take initiatives which aim to reduce operating costs and focus on value-added activities;
- The Group has agreed with the CEO John Houston that he will convert \$2,000,000 of debt into equity at the upcoming AGM expected to be held in May 2024;
- The board has agreed to a further \$250,000 debt facility at arm's length which will be received in March 2024 through a loan facility from J F Houston Holdings Pty Limited and The Bimm Corporation Pty Ltd, related parties.

The Group will consider external funding including a capital raise under the mandate in place and support from related parties in the future, if and when necessary. On this basis, the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

3. Functional and presentational currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

4. Rounding of amounts

Amounts in the consolidated financial statements and directors' report have been rounded off to the nearest dollar.

5. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 17 Intangibles
- Note 21 Reserves – Share-based payment

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

6. Material accounting policy information

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see Note 7).

A. Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent YPB Group Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 29.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary YPB Limited (HK) (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, YPB Group Limited (formerly AUV Enterprises Limited) (the acquiree for accounting purposes).

B. Revenue and other income

The Group considers the following for revenue recognition:

- whether a contract exists;
- performance obligations identified within the contract;
- determine transaction price;
- allocate the transaction price to the performance obligations; and
- recognise revenue when performance obligations are satisfied.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the performance obligations are satisfied.

Revenue recognition relating to the provision of services is determined with reference to the completion of the performance obligations identified in the contract.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue generated by the Group is categorised as a bundled “complete solution offering” which encompasses a range of products and services which are available to customers, including:

- Digital engagement platform;
- Covert forensic products;
- Brand protection labelling solutions.

Digital engagement platform

The Group provides a cloud-based customer digital engagement and analytics platform that enables brands to form a unique relationship with customers. Revenue is recognised at the time when the performance obligation of providing the reports from the customer engagement platform are completed.

Covert forensic products

The Group manufactures and sell covert forensic products. Revenue is recognised at the time when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer.

Brand protection labelling solutions

The Group purchases and sells brand protection labelling products. 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 customer.

All revenue is stated net of the amount of goods and services tax.

Interest revenue is recognised using the effective interest method.

C. Foreign currency transactions and balances

i. 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 consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

ii. 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 period-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 cash flow or net investment hedge and except where net investment policy applies. 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.

iii. 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

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars in which the settlement of the monetary items is neither planned nor likely to occur in the foreseeable future are included as a net investment in the foreign operations.

D. Employee benefits

i. 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 annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

The Group's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as a 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.

ii. Share-based payment arrangements

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees 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 corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares, options and performance rights 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.

E. Finance income and finance costs

The Group's finance income and finance costs include:

- Interest expense; and
- Foreign currency gain or loss on financial assets and liabilities

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

F. Income tax

The income tax expense/(income) for the period 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 income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

YPB Group Ltd

Notes to the financial statements

For the year ended 31 December 2023

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

G. Tax consolidation

The Company and its wholly owned Australian subsidiaries have formed a tax-consolidated group with effect from 6 April 2004 and are therefore taxed as a single entity from that date. The head entity of the tax-consolidated group is YPB Group Limited. YPB Group Limited is responsible for recognising the current and deferred tax assets and liabilities for the consolidated group. The tax-consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion into their contribution to the taxable profit of the tax-consolidated group.

H. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

I. Plant and equipment

Plant and equipment are carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

i. Depreciation

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

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

- Plant and equipment 10% - 33%

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. 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.

J. Intangible assets and goodwill

i. Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Intellectual property and patent licence rights

Intellectual property and patent licence rights that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives when the asset is in its intended use, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- Intellectual property 5 – 20 years
- Patent licence rights 15 years

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

K. Financial instruments

i. Initial Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially recognised at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A

YPB Group Ltd**Notes to the financial statements****For the year ended 31 December 2023**

trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement***Financial assets***

On initial recognition, a financial asset is classified and measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has legally enforceable rights to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

L. Share Capital

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 132.

M. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in Australian dollar that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion. The equity component is initially recognised at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

N. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measure at amortised cost; and
- Contract assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

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Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period of which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contracts assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

O. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

P. Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Q. Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the

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reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

7. New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

8. Operating segments

Identification of reportable operating segments

Management determines operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

Types of products and services

For the year ended 31 December 2023, management considers the Group to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represented by one business segment apart from a minor specialised anti-counterfeit material operation.

The bundled "complete solution offering" encompasses a range of products and services which are available to customers, including:

- Digital engagement platform that provides brand protection and consumer engagement and track 'n' trace solutions for product provenance and ESG compliance;
- Covert forensic products which are invisible particles ('tracers') fused into a product or packaging during or after the manufacturing process and are detectable using YPB's proprietary scanner, OEM devices or using an app on a smartphone device; and
- Brand protection labelling solutions effective for sellers, brands and product owners.

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(a) Geographical information

2023	Reportable segments				
		People's Republic of China	Thailand	United States of America	Total
<i>In \$</i>	Australia				
External revenue	129,898	251,314	-	-	381,212
Interest income	16,478	-	72	-	16,550
Other income	280,126	-	-	-	280,126
Total revenue	<u>426,502</u>	<u>251,314</u>	<u>72</u>	<u>-</u>	<u>677,888</u>

2022					
External revenue	296,464	254,690	-	-	551,154
Interest income	2,372	-	13	-	2,385
Other income	175	2,227	-	-	2,402
Total revenue	<u>299,011</u>	<u>256,917</u>	<u>13</u>	<u>-</u>	<u>555,941</u>

(b) Assets

2023	Reportable segments				
		People's Republic of China	Thailand	United States of America	Total
<i>In \$</i>	Australia				
Current assets	638,070	297,377	186,808	76,396	1,198,651
Non-current assets	131,645	8,631	4,695	5,045,145	5,190,116
Total assets	<u>769,715</u>	<u>306,008</u>	<u>191,503</u>	<u>5,121,541</u>	<u>6,388,767</u>

2022					
Current assets	1,050,142	307,769	180,187	446	1,538,544
Non-current assets	-	10,783	16,927	5,808,911	5,836,621
Total assets	<u>1,050,142</u>	<u>318,552</u>	<u>197,114</u>	<u>5,809,357</u>	<u>7,375,165</u>

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9. Revenue

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue</i>		
Sale of goods and services		
- Digital engagement platform	144,402	119,076
- Covert forensic products	231,810	406,451
- Brand protection labelling solutions	5,000	25,627
	<u>381,212</u>	<u>551,154</u>
<i>Other revenue</i>		
Interest	16,550	2,385
Other income	280,126	2,402
	<u>677,888</u>	<u>555,941</u>

10. Loss for the period

The loss for the period includes the following expenses:

	Consolidated	
	2023	2022
	\$	\$
Finance costs	648,577	74,631
Research and development costs	804,885	683,828
Depreciation and amortisation	38,032	22,920
Impairment of intangible assets	907,797	-
Rental expense on operating leases – minimum lease payments	139,288	99,260
	<u>2,538,579</u>	<u>880,639</u>

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11. Income tax benefit

	Consolidated	
	2023	2022
	\$	\$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax	(4,459,632)	(3,301,603)
Tax at the statutory tax rate 25% (2022: 25%)	(1,114,908)	(825,401)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
• Offshore expenses not deductible	106,591	94,480
• Non-allowable expenses	246,160	(176,346)
• Share-based payments expensed during the year	12,667	94,354
• Tax losses not recognised	873,710	873,710
	<u>124,220</u>	<u>60,797</u>
Difference in overseas tax rates	117,963	110,860
Research and development tax incentive	-	-
Income tax (expense)/benefit	<u>242,183</u>	<u>171,657</u>
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
• Deductible temporary differences	287,893	194,473
• Tax losses	13,855,130	12,981,420
	<u>14,143,023</u>	<u>13,175,893</u>

12. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
Cash on hand	1,786	1,318
Cash at bank	565,786	640,090
	<u>567,572</u>	<u>641,408</u>

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13. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
Trade receivables	178,677	215,437
Less: Allowance for doubtful debts	(72,218)	(73,243)
	<u>106,459</u>	<u>142,194</u>
GST/VAT receivables	101,882	89,355
Other receivables	149,982	97,438
	<u><u>358,323</u></u>	<u><u>328,987</u></u>

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2023 is determined as follows; the expected credit losses incorporating forward-looking information.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$	\$	\$	\$	\$
2023					
Expected loss rate	0%	0%	0%	66.5%	
Gross carrying amount	32,913	27,395	9,691	108,678	178,677
Loss allowing provision	-	-	-	(72,218)	(72,218)
2022					
Expected loss rate	0%	0%	0%	72.2%	
Gross carrying amount	82,421	26,052	5,553	101,411	215,437
Loss allowing provision	-	-	-	(73,243)	(73,243)

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14. Other assets

	Consolidated	
	2023	2022
	\$	\$
Escrow account	929	200,929
Rental deposits	34,070	34,485
Prepaid rent	10,384	10,492
Prepayments	52,111	128,779
	<u>97,494</u>	<u>374,685</u>

15. Inventories

	Consolidated	
	2023	2022
	\$	\$
Finished goods – at cost	175,262	193,464
Less: Allowance for slow-moving inventories	-	-
	<u>175,262</u>	<u>193,464</u>

16. Plant and equipment

	Consolidated	
	2023	2022
	\$	\$
At cost	196,432	213,241
Accumulated depreciation	(179,409)	(181,420)
	<u>17,023</u>	<u>31,821</u>

Reconciliations

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

Consolidated	\$
Balance at 1 January 2023	31,821
Additions	6,025
Disposals	(1,076)
Depreciation	(19,096)
Effects of movements in exchange rates	(651)
Balance at 31 December 2023	<u>17,023</u>
Balance at 1 January 2022	50,106
Additions	3,842
Disposals	(247)
Depreciation	(22,927)
Effect of movement in exchange rates	1,047
Balance at 31 December 2022	<u>31,821</u>

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17. Intangible assets

	Consolidated	
	2023	2022
	\$	\$
Goodwill – at cost	3,089,466	3,089,466
Less: Accumulated impairment losses	(3,089,466)	(3,089,466)
	<u>-</u>	<u>-</u>
Intellectual property – at cost	16,250,550	16,250,550
Less: Accumulated amortisation	(4,942,153)	(4,942,153)
Less: Accumulated impairment losses	(11,308,397)	(11,308,397)
	<u>-</u>	<u>-</u>
Customer relationship – at cost	206,000	206,000
Less: Accumulated amortisation	(28,000)	(28,000)
Less: Accumulated impairment losses	(178,000)	(178,000)
	<u>-</u>	<u>-</u>
Patent licence rights – at cost	8,713,450	8,797,048
Less: Accumulated impairment losses	(3,540,357)	(2,992,248)
	<u>5,173,093</u>	<u>5,804,800</u>
Licence agreement – at cost	350,000	-
Less: Accumulated amortisation	(18,676)	-
Less: Accumulated impairment losses	(331,324)	-
	<u>-</u>	<u>-</u>

Reconciliations

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

Consolidated	Patent licence rights	Licence Agreement	Total
	\$	\$	\$
Balance at 1 January 2022	5,419,929	-	5,419,929
Additions	-	-	-
Effect of movement in exchange rates	384,871	-	384,871
Impairment loss	-	-	-
Balance at 31 December 2022	<u>5,804,800</u>	<u>-</u>	<u>5,804,800</u>
Balance at 1 January 2023	5,804,800	-	5,804,800
Additions	-	350,000	350,000
Accumulated amortisation	-	(18,676)	(18,676)
Effect of movement in exchange rates	(55,234)	-	(55,234)
Impairment loss	(576,473)	(331,324)	(907,797)
Balance at 31 December 2023	<u>5,173,093</u>	<u>-</u>	<u>5,173,093</u>

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Patent Licence Rights

Effective in December 2017, the Group acquired MotifMicro's patented licence rights to develop and commercialise secure smartphone readable authentication technologies. MotifMicro is invisible technology which works whereby the smartphone becomes the authentication device for uncopiable, invisible and indestructible physical marking technology.

In addition to the patented Licence Rights acquired in 2017, The Group in its own right holds potentially valuable patents over smartphone readable authentication technology.

As the technology is still in the development phase and still under commercial trials during the period ended 31 December 2023, the MotifMicro rights have not commenced amortisation, however impairment adjustments have been recorded to reflect its estimated carrying amount. MotifMicro's development in 2023 was advanced through a number of technological achievements together with customers that signed early-adopter agreements to expedite its commercialisation in the market. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

Impairment testing indicated that the recoverable amount of the patent licence rights were lower than the carrying amount and therefore impairment is considered necessary as at 31 December 2023. The valuation methodology ('value in use' or 'VIU') model reflects updated forecasts and progress made on the MotifMicro technology.

The following key assumptions and results arising from the VIU methodology applied are as follows:

- Revenue growth from conversion of forecast sales pipeline for FY2024 with an annual long-term growth rate of 12.5% until 2028 that follows the industry growth rate with a long-term annual growth rate of 2% thereafter;
- Discounted cash flow modelling to 2035 with no terminal value;
- A WACC of 25% (post-tax) assuming a long-term debt/equity ratio of nil; and
- The group securing sufficient funding in future periods to continue as a going concern.

Licence Agreement

The Board has determined an impairment provision against the entire value of the NVISO licence as there is little prospect of a viable product being created from that licence in a reasonable time frame.

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18. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
Trade payables	945,774	982,221
Other payables and accruals	1,636,884	1,051,572
	<u>2,582,658</u>	<u>2,033,793</u>

19. Financial liabilities

	Consolidated	
	2023	2022
	\$	\$
Related party loans - (i)	2,024,424	1,021,085
	<u>2,024,424</u>	<u>1,021,085</u>

(i): During the year, the Consolidated Entity obtained an additional \$1,000,000 (2022: 1,000,000) of short-term borrowings from a related party, repayable within 12 months from the commencement date, and at an interest rate of 17.48% per annum (2022: 16.73%) (or part thereof) for a total of \$2,000,000 as at balance date. 400,000,000 options are expected to be issued as a facility fee, subject to shareholders' approval at the AGM expected in May 2024.

20. Equity – Issued Capital

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	\$	\$
Ordinary shares – fully paid	790,461,469	406,546,153	85,426,969	83,877,039

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 January 2022	6,117,833,701	81,773,800
Consolidation 25:1	30 May 2022	244,713,348	81,773,800
Balance	30 May 2022	244,713,348	81,773,800
Conversion of options	30 May 2022	1,454,922	72,855
Share placements	5 July 2022	160,377,883	2,030,384
Balance	31 December 2022	406,546,153	83,877,039
Balance	1 January 2023	406,546,153	83,877,039
Issuance as payment for grant of 10 years licence	15 Mar 2023	10,000,000	50,000
Share placements	22 Mar 2023	202,702,703	900,000
Share placements	30 Jun 2023	112,612,613	500,000
Conversion of performance rights	30 Jun 2023	11,600,000	70,000
Security shares for the ATM facility*	2 Nov 2023	37,000,000	69,930
Share issued to ATM subscription*	29 Nov 2023	10,000,000	20,000
Less: Transaction costs on shares issued			(60,000)

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Balance	31 December 2023	<u>790,461,469</u>	<u>85,426,969</u>
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Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On 1 November 2023, YPB has signed an At-The-Market (ATM) Subscription Deed with Dolphin Corporate Investments Pty Ltd (DCI) with up to \$2,000,000 of standby equity capital over 3 years. As security for the ATM, the Company has agreed to issue 37,000,000 fully paid ordinary shares at \$0.00189 from its Listing Rule 7.1 capacity and without shareholder approval, at nil cash consideration to DCI. DCI may only deal in these shares to the extent YPB elects to use the facility. Any further share issues under the ATM in excess of the Security Shares (if any) will, at the time of issue, be in accordance with the Listing Rules; either through obtaining prior shareholder approval or utilizing the then available capacity under Listing Rule 7.1 and/or 7.1A. Upon early termination or maturity of the ATM, the Company may buy back (and cancel) any Security Shares not released to DCI for no cash consideration subject to shareholder approval.

On 29 November 2023, 10,000,000 shares were sold at \$0.002.

21. Reserves

		Consolidated	
		2023	2022
	Note	\$	\$
Issued options reserve	(a)	567,467	210,000
Share-based payment reserve	(b)	149,267	418,827
Foreign currency translation reserve	(c)	1,717,162	1,777,530
		<u>2,433,896</u>	<u>2,406,357</u>

(a) Issued options reserve

The option reserve records items recognised as expenses on valuation of share options issued.

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Details	Date	Options	\$
Balance	1 January 2022	3,464,336,576	767,344
Options expired	23 February 2022	<u>(3,400,336,576)</u>	<u>(767,344)</u>
Balance	23 February 2022	64,000,000	-
Consolidated 25:1	30 May 2022	2,560,000	-
Options granted to investors of capital raises	5 July 2022	<u>140,000,000</u>	<u>210,000</u>
Balance	31 December 2022	<u>142,560,000</u>	<u>210,000</u>
Balance	1 January 2023	142,560,000	210,000
Options issued to related parties for loan establishment fee	13 January 2023	200,000,000	357,467
Options granted to investors of capital raise*	30 June 2023	112,612,613	-
Options granted to investors of capital raise*	31 August 2023	<u>202,702,703</u>	<u>-</u>
Balance	31 December 2023	<u>657,875,316</u>	<u>567,467</u>

*Options granted to investors of capital raises are free attaching options.

Options issued during the year were valued based on the following assumptions:

Weighted average terms (years)	1.782
Weighted average remaining life at 31 December 2023 (years)	1.149

Details of options issued and valued during the year are as follows:

Quantity	Issue date	Exercise price	Expiry date	Value per option
200,000,000	13 January 2023	0.0050	16 January 2026	0.0017

The option reserve records items recognised as expenses on valuation of share options issued.

(b) Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services rendered.

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Details	Date	\$
Balance	1 January 2023	418,827
Performance Rights reversed	23 March 2023	(318,939)
Performance Rights issued under share-based payments	24 March 2023	120,000
Performance Rights reversed	30 June 2023	(24,621)
Performance Rights converted to shares	30 June 2023	(40,000)
Performance Rights issued under share-based payments	30 June 2023	24,000
Performance Rights converted to shares	30 June 2023	<u>(30,000)</u>
Balance	31 December 2023	<u><u>149,267</u></u>

(c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Exchange differences arising from monetary items that forms part of the Group's net investment in foreign operations are recognised as foreign currency translation reserve in equity.

22. 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 includes ordinary share capital, convertible loan notes 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.

		Consolidated	
	Note	2023	2022
		\$	\$
Total borrowings	20	2,024,424	1,021,085
Less: Cash and cash equivalents	12	<u>(567,572)</u>	<u>(641,408)</u>
Net (cash) / debt		1,456,852	379,677
Total equity		1,781,685	4,320,287
Debt-to-Equity ratio		81.77%	8.79%

23. Financial instruments

Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

i. Risk Management framework

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets represents the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month. In monitoring credit risk, customers are grouped according to their risk characteristics, including their industry, trading history with the Group and existence of previous financial difficulties.

At 31 December 2023 and 2022, the exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount	
	2023	2022
	\$	\$
Australia	47,325	106,131
People's Republic of China	75,614	53,033
Thailand	-	-
United States of America	55,738	56,273
	<u>178,677</u>	<u>215,437</u>

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Refer to Note 13 on Expected Credit Loss assessment for trade receivables.

Cash and cash equivalents

As at 31 December 2023, the Group held cash and cash equivalents of \$567,572 (2022: \$641,408). The cash and cash equivalents are held with bank, which are AA1- to AA+, based on S&P ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties

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iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- Obtaining funding from a variety of sources;
- Managing credit risk related to financial assets; and
- Only investing surplus cash with major financial institutions.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Consolidated – 2023	Carrying	1 year or	Between 1
<i>In \$</i>	amount	less	and 5 years
Trade and other payables	2,582,658	2,582,658	-
Financial liabilities	2,024,424	2,024,424	-
	<u>4,607,082</u>	<u>4,607,082</u>	<u>-</u>

Consolidated – 2022	Carrying	1 year or	Between 1
<i>In \$</i>	amount	less	and 5 years
Trade and other payables	2,033,793	2,033,793	-
Financial liabilities	1,021,085	1,021,085	-
	<u>3,054,878</u>	<u>3,054,878</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

iv. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Chinese Yuan (RMB), Thai Baht (THB), and US Dollar (USD). The currencies in which these transactions are primarily denominated are RMB, THB, and USD.

YPB Group Ltd
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Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risks as reported to the management of the Group is as follows:

Consolidated - 2023	RMB	THB	USD
	\$	\$	\$
Cash and cash equivalents	143,785	1,889,520	6,752
Trade and other receivables	367,060	-	38,125
Trade and other payables	(438,039)	(2,378,469)	(107,200)
	<u>72,806</u>	<u>(488,949)</u>	<u>62,323</u>
Consolidated - 2022	RMB	THB	USD
	\$	\$	\$
Cash and cash equivalents	250,578	366,983	604
Trade and other receivables	250,000	-	38,125
Trade and other payables	(298,240)	(377,916)	(8,500)
	<u>202,338</u>	<u>(10,933)</u>	<u>30,229</u>

Sensitivity Analysis

Based on the financial instruments held at 31 December 2023, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been \$9,000 lower/higher (2022: \$4,000 lower/higher).

Had the Australian dollar weakened/strengthened by 10% against the Chinese Yuan with all other variables held constant, the Group's post-tax profit for the period would have been \$1,500 higher/lower (2022: \$3,000 higher/lower).

Had the Australian dollar weakened/strengthened by 10% against the Thai Baht with all other variables held constant, the Group's post-tax profit for the period would have been \$2,000 higher/lower (2022: \$100 higher/lower).

v. Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

24. Key management personnel disclosures

Directors

The following persons were directors of YPB Group Limited during the financial year ended 31 December 2023:

John Houston (Executive Chairman)
 Su (George) Su
 Gerard Eakin

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year ended 31 December 2023:

Martin Ross (Chief Operating Officer)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the years ended 31 December 2023 and 2022.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	791,458	803,887
Post-employment benefits	-	-
Share-based payments	120,000	80,000
	<u>911,458</u>	<u>883,887</u>

Short-term employee benefits

These amounts include fees and benefits paid to executive and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to other KMP.

Share-based payments

These amounts represent the expense related to participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the years ended 31 December 2023 and 2022.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

25. Remuneration of auditor

During the financial year, the following fees were paid or payable for services provided by the auditors of the Company and unrelated firms:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services – PKF Brisbane Audit</i>		
• Audit or review of the financial report	79,000	75,000
	<hr/>	<hr/>
<i>Component auditors – Non-PKF</i>		
• Audit or review of the financial report	10,565	9,910
	<hr/>	<hr/>
Other services – non-audit	-	-
	<hr/>	<hr/>

26. Operating leases

	Consolidated	
	2023	2022
	\$	\$
Within one year	77,523	-
	<hr/>	<hr/>
	77,523	-
	<hr/>	<hr/>

27. Related parties' transactions

Parent entity

YPB Group Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 29.

Key management personnel transactions

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.

Some 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 similar transactions with non-key management personnel-related companies on an arm's length basis.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

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:

Transaction	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2023	2022	2023	2022
	\$	\$	\$	\$
<i>Manifest Capital Management Pty Ltd (related entity of Gerard Eakin)</i> Investor relations	39,993	39,993	3,333	3,333
<i>J F Houston Holdings Pty Ltd (related entity of John Houston)</i> Short-term borrowings to YPB Group Ltd	2,000,000	1,000,000	2,000,000	1,000,000
Interest on short-term borrowings	196,293	21,085	24,424	21,085
Facility fee on short-term borrowings	447,609	20,000	90,142	20,000
	<u>2,643,902</u>	<u>1,041,085</u>	<u>2,114,566</u>	<u>1,041,085</u>

Other related party and KMP transactions

During the year the Group elected to issue to key management personnel equity instruments. The following issues related to key management personnel and where relevant, were approved in a general meeting of shareholders:

Performance Rights (PR) were issued to Martin Ross according to the performance conditions. The PRs were issued at \$0.003 exercise price per PR, with a vesting conditions and Expiry Date of 24 March 2026.

28. Parent entity information

As at, and throughout, the financial year ended 31 December 2023, the parent entity of the Group was YPB Group Limited.

Parent

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

	2023	2022
	\$	\$
Result of the parent entity		
Loss for the year	(3,280,394)	(3,898,681)
Total comprehensive income for the period	<u>(3,280,394)</u>	<u>(3,898,681)</u>
Financial position of the parent entity at year end		
Current assets	638,042	739,239
Non-current assets	11,275,933	11,117,765
Total assets	<u>11,913,975</u>	<u>11,917,004</u>
Current liabilities	4,029,898	2,733,932
Non-current liabilities	-	-
Total liabilities	<u>4,029,898</u>	<u>2,733,932</u>
Net assets	<u>7,884,077</u>	<u>9,183,072</u>
Total equity of the parent entity comprising of:		
Issued capital	90,944,610	88,914,087
Reserves	567,467	628,827
Accumulated losses	(83,628,000)	(80,359,842)
Total equity	<u>7,884,077</u>	<u>9,183,072</u>

Parent entity guarantees in respect of the debts of its subsidiaries

There have been no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

Parent entity contingent liabilities

There were no contingent liabilities as at 31 December 2023 (2022: Nil).

Contractual commitments

There were no contractual commitments as at 31 December 2023 which is related to the parent entity (2022: Nil).

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

29. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 6:

Name	Principal Place of Business / Country of Incorporation	Ownership Interest	
		2023 %	2022 %
YPB Limited	Hong Kong	100	100
YPB Technology (Beijing) Ltd	People's Republic of China	100	100
Product ID & Quality Systems (Beijing) Ltd	People's Republic of China	100	100
YPB Group (USA) Inc.	USA	100	100
YPB Intellectual Product Protection Inc.	USA	100	100
YPB Group International Co., Ltd	Thailand	100	100
YPB Group Co., Ltd	Thailand	100	100
nTouch Pty Ltd	Australia	100	100
YPB Product Development Pty Ltd	Australia	100	100

30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2023 \$	2022 \$
Loss after income tax for the year	(4,459,632)	(3,301,603)
Adjustments for:		
Foreign exchange differences	11,833	(735,258)
Depreciation and amortisation expense	38,032	22,920
Impairment of intangible assets	907,767	-
Assets written off	18,761	247
Share-based payments	50,667	377,416
Finance costs	3,340	21,084
Equity-settled transactions	357,467	243,334
Net (gain)/loss on settlement of debts	-	-
Provision for slow-moving stocks	-	-
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
(Increase) in trade and other receivables	(29,337)	(7,584)
Decrease/(increase) in other assets	277,191	(44,990)
Decrease in inventories	18,201	15,814
(Decrease)/increase in trade and other payables	548,865	557,761
Net cash used in operating activities	<u>(2,256,845)</u>	<u>(2,850,859)</u>

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023

31. Subsequent events

The following events have occurred since 31 December 2023:

- On 15 February 2024, YPB entered a mandate to raise capital.
- On 28 March 2024 the board agreed to a further \$250,000 debt facility at arm's length which will be received through a loan facility from J F Houston Holdings Pty Limited and The Bimm Corporation Pty Ltd, related parties.

Other than the above, no matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

32. Earnings per share

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax attributable to the owners of YPB Group Limited	(4,459,632)	(3,301,603)
	Number	Number
Weighted average number of ordinary shares used in calculating basic/diluted earnings per share	641,712,423	324,221,583
	Cents	Cents
Basic earnings/(loss) per share	(0.69)	(1.02)

There are 657,875,316 in share options issued but not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 1,338,293,061.

33. Contingent assets and contingent liabilities

On 13 April 2023, The Carroll Circuit Court of Virginia issued a sealed judgement in favour of YPB Group Limited in the case against a former employee Mr Tim Merchant for breach of the Virginia Trade Practices Act and awarded damages of \$566,577 including \$37,628 legal fees. Recovery is being sought through the Commonwealth of Virginia. A Court date now set for 1 April 2024 to compel discovery and set a charging order against his property. However, the Group cannot reliably determine the probability of recovery as at the date of this report.

Other than the above, the Group are not aware of any contingent assets or liabilities as at 31 December 2023 (2022: Nil).

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2023
34. Company details

The registered office of the Company is:

YPB Group Limited

Level 5, 126 Philip Street
Sydney NSW 2000
Australia

The principal places of business are:

101 True Digital Park, Griffin Building
15 Floor, Unit 1505
Sukhumvit Road, Bangchak
Phrakhanong, Bangkok 10260
Thailand

1st floor, 50 Building
No.14 Jiuxianqiao Road
Chaoyang District
Beijing
China

Directors' Declaration

1. In the opinion of the directors of YPB Group Limited (the "Company"):
 - a. the consolidated financial statements and notes that are set out on pages 22 to 64 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 259A of the *Corporations Act 2001* from the chief executive officer for the financial year ended 31 December 2023.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



John Houston
Director
Dated this 28th day of March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YPB GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of YPB Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of material accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of YPB Group Limited is 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 2023 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(i) in the financial report, which indicates that the Company incurred a net loss of \$4,459,632 during the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceeded its total assets by \$3,408,431. As stated in Note 2(i), these events or conditions, along with other matters as set forth in Note 2(i), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

1. Impairment testing of intangible assets – Patent Licence Rights

Why significant	How our audit addressed the key audit matter
<p>As at 31 December 2023 the carrying value of patent licence rights was \$5,173,093 (2022: \$5,804,800), as disclosed in Note 17. This represents 81% (2022: 79%) of total assets of the consolidated entity. The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 6(j).</p> <p>An annual assessment for impairment indicators for intangible assets is required under Australian Accounting Standard (AASB) 136 <i>Impairment of Assets</i>. The development and commercialisation of the underlying technology (Motif Micro) is ongoing, which has increased the uncertainty of forecasted cash flows and delayed the crystallisation of revenue pipelines.</p> <p>Management performed a valuation of the carrying value of the patent licence rights as at 31 December 2023. The result included an impairment of the patent licence rights of \$576,473 in 2023 (2022: Nil).</p> <p>The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining the key assumptions, which include:</p> <ul style="list-style-type: none"> • the period of cash flow forecasts included; • terminal value growth factor; and • discount rate. <p>The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets is an area of significant estimation and judgement.</p>	<p>Our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • reviewing and challenging the business plan and budget that management prepared for forecast cash inflows and outflows to be generated by Motif Micro from FY24 to FY28; • assessing and challenging the growth rates used in the forecast models, including comparing the growth rate in the industry; • testing, on a sample basis, the mathematical accuracy of the cash flow models; • agreeing inputs in the cash flow models in the valuation report to relevant data including approved budgets and latest forecasts; and • assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 17.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity'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 consolidated entity 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with 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 consolidated entity'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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Report on the Remuneration Report](#)

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2023. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Opinion

In our opinion, the Remuneration Report of YPB Group Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'S Lindemann', written in a cursive style.

SHAUN LINDEMANN
PARTNER

BRISBANE
28 March 2024

Shareholder Information

Distribution of holders

The number of holders and number of holdings by a range of holding sizes of the ordinary shares and options as at 26 March 2024 are detailed below:

Holding size	Shares	
	No. of holders	No. of shares held
1 to 1,000	149	32,194
1,001 to 5,000	227	804,075
5,001 to 10,000	376	3,050,970
10,001 to 100,000	1,291	43,033,843
100,001 and over	591	743,540,387
	<hr/> 2,634	<hr/> 790,461,469

Number of holding less than a marketable parcel of 2,304.

Substantial shareholders

The names of substantial shareholders listed in the Company's register as at 26 March 2024 are:

	No. of shares held
J F Houston Holdings Pty Ltd	90,308,769
The Bimm Corporation Pty Ltd	51,236,552

Voting rights

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

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

Options

Options as at 26 March 2024 are as follows:

Listed Options Exercise \$0.0236 Expiry 5 July 2024
Unlisted Options Exercise \$0.005 Expiry 30 June 2024
Unlisted Options Exercise \$0.005 Expiry 16 January 2026
Unlisted Options Exercise \$11.25 Expiry 12 December 2026
Unlisted Options Exercise \$13.75 Expiry 12 December 2026
Unlisted Options Exercise \$16.25 Expiry 12 December 2026
Unlisted Options Exercise \$8.75 Expiry 12 December 2026

Holding size

Holding size	Options	
	No. of holders	No. of options held
1 to 100,000	42	3,010,000
100,001 and over	49	654,865,316
	91	657,875,316

Top 20 Ordinary Shareholders as at 26 March 2024

	No. of shares held
J F HOUSTON HOLDINGS PTY LTD	90,308,769
THE BIMM CORPORATION PTY LTD	51,236,552
DOLPHIN CORPORATE INVESTMENTS PTY LTD	37,000,000
MARTIN DAVID ROSS & DAVID ARTHUR ROSS	32,303,844
RIMOYNE PTY LTD	23,253,254
DR PAUL VINCENT GRECH	13,000,000
LEVROK SUPERANNUATION FUND PTY LTD	13,000,000
N K C PTY LTD	12,809,451
MR LINDSAY MALCOLM STAGGS	10,000,000
NVISO SA	10,000,000
G & S MART PTY LTD	10,000,000
SIXTY TWO CAPITAL PTY LTD	9,009,009
MR COLIN JAMES SHARP	8,000,000
MR SUFIAN AHMAD	8,000,000
MR HONG SIAN TAN	7,793,688
DRH SUPERANNUATION PTY LTD	7,785,860
MR ROBERT BENTON STAGGS	7,000,000
MR PHILLIP ANDREW EDDY	6,500,000
STATE ONE CAPITAL GROUP PL	6,377,369
MRS TERESA DI PASQUALE	6,000,000
	369,377,796
Balance of register	421,083,673
Total	790,461,469

On-market buy back

There is currently no on-market buy back.

Corporate Directory

Registered Office

Level 5, 126 Philip Street
Sydney NSW 2000

ABN: 68 108 649 421

Telephone: +66 21148173

Directors

John Houston
Su (George) Su
Gerard Eakin

Mailing address

PO Box H215
Australia Square
NSW 1215

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street
Sydney, NSW 2000

Telephone: 1300 737 760

Facsimile: 1300 653 459

Email: enquiries@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

Company Secretary

Lucy Rowe
Shelby Coleman

Auditors

PKF Brisbane
Level 6, 10 Eagle Street
Brisbane, QLD 4000

Telephone: +61 (7) 3839 9733

Facsimile: +61 (7) 3832 1407

Stock Exchange Listing

The shares of YPB Group Limited are listed on the Australia Stock Exchange.

ASX Code: YPB

Website: www.asx.com.au