

DMC signs SSA with Key Shareholders to acquire LVX Global

Design Milk Co. Limited (ASX:DMC) (DMC or **Company**) is pleased to announce that it has executed a conditional share sale agreement (**SSA**) with key shareholders of LVX Global Holdings Limited (**LVX, LVX Global or LVX Group**) to acquire the leading data-driven, technology led, end-to-end Smart Buildings and Internet of Things (**IOT**) business operated by LVX (the **Transaction**).

Completion of the Transaction will be subject to a number of conditions, including the execution of conditional agreements with the remaining shareholders of LVX, the receipt of all necessary regulatory and Shareholder approval by the Company (including for the purposes of ASX Listing Rule 11.1.2), the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules and the Company undertaking due diligence on LVX. Accordingly, the Transaction may not complete if any of these conditions are not satisfied. The Company's securities are currently suspended and will continue to remain suspended until after the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules. Investors should take into account these uncertainties in deciding whether or not to buy or sell the Company's securities.

About LVX

LVX Global was founded in Australia in 1992 as a project design and engineering company with a focus on lighting solutions. LVX operated in this sector until 2019 when, based on customer interest, the business model evolved to provide end to end technology solutions.

LVX has since established itself as a technology led, end-to-end engineered products, platform and solutions business with a team experienced in scaling products globally. LVX's solutions use data, technology and science to deliver scalable and replicable high value outcomes in the smart cities and IOT sector. LVX has acquired and developed innovative products and intellectual property (**IP**) that have been market validated and are ready to scale internationally. The business has a long history of installing, managing, and maintaining built assets for large clients which has been beneficial in the transition to trusted technology partner.

LVX's value proposition of solving real world challenges, executing solutions and serving clients by providing ongoing data insights, systems and compliance services has resonated strongly with the market. The business delivered A\$13.2m in revenue in FY22 and has serviced over 300 customers globally with core growth regions in Australia, the US and Europe.

LVX's business model is based on delivering high quality solutions that have a positive, lasting and measurable impact for customers by delivering on one or more of the following key outcomes for clients:

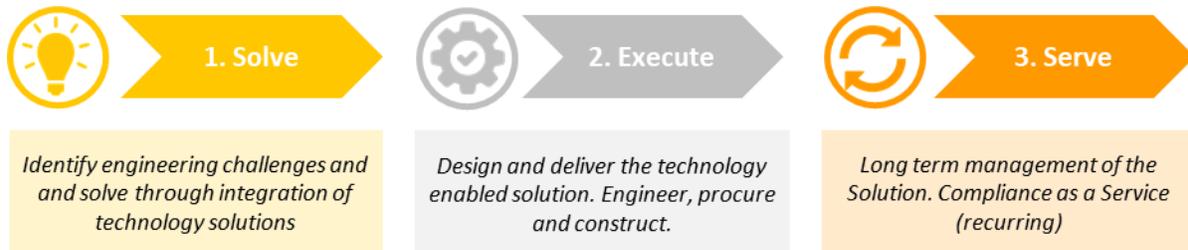
- 1) Increased revenue
- 2) Reduced cost
- 3) Reduced risk
- 4) Increased compliance

The business model operates both as a full end-to-end solution for Smart Buildings and has a product led go to market strategy for the Smart Fire Safety solution.

LVX Business Segments

1) Smart Buildings

LVX's smart buildings solution targets building owners, particularly in commercial and retail sectors who want to increase safety, value, yield and economic activation, user experience and sustainability of built form assets. The LVX Global business model is based on 3 stages – Solve, Execute, Serve



Clients engage LVX to better understand how technology can be applied within their business. LVX will identify the most appropriate technology solution, procure and implement the technology and then provide a platform to analyse and interpret the data the technology is generating to ensure that the return from the asset is continually optimised. This leads to LVX becoming embedded with clients as their chosen technology partner providing long term, recurring revenue streams.

An example of this is in a retail shopping centre where the LVX Global solution delivers increased net lettable area, reduced energy consumption, reduced maintenance and building downtime, increased customer dwell time and reduced absenteeism.

Given the higher involvement of qualified personnel in delivering this solution, the LVX Global Smart Building service is currently only available in Australia.

2) Smart Fire Safety

LVX's smart fire safety product, FireM, is an edge device (hardware) positioned and connected to a fire alarm panel, that receives all event messages, translates them to a common language, and delivers onto web and mobile application (software), that is made available to all stakeholders. The solution has several use cases and benefits including increasing life safety by immediately alerting multiple people to the nature and location of a fire event in a building without having to go the fire panel, and reducing costs as conventional and arduous workflows are streamlined and made available on any smart device, in real time.



The FireM interface on desktop and mobile device.

The FireM solution is unique as it was designed to function on any fire panel globally, making it vendor agnostic. The device is manufactured under contract from universal component parts.

LVX's go to market strategy for FireM is product-led and channel driven. The benefits of this approach include increased scalability, a wider reach, lower customer acquisition costs and over time, faster and more efficient growth. LVX Global can leverage channel partners that have existing client relationships that would benefit from FireM, reducing the requirement for direct sales and operational resources.

Transaction summary

The Company is pleased to announce this highly transformative transaction with LVX Global, following a period of transition that resulted from the previously announced sale of the Company's online business.

Subject to the satisfaction of the conditions precedent referred to below, the Company intends to acquire 100% of the issued share capital of LVX in the Transaction. The Company has entered into a binding SSA with key shareholders of LVX associated with Corey Gray (LVX founder and former CEO) and cornerstone investor, the Bombora Special Investments Growth Fund, and intends to enter into share sale agreements with remaining LVX shareholders in respect of all remaining shares as a condition precedent to completion.

The total purchase consideration for the Transaction will be \$39.0 million, payable to the LVX shareholders as new fully paid ordinary shares issued in DMC. The consideration shares will be issued at \$0.07¹.

The Company is in the process of undertaking legal and financial due diligence on LVX and its business to enable the Board of the Company to be satisfied that the Transaction is in the best interests of the Company and its shareholders. In addition to the execution of sale agreements with the remaining shareholders and completion of due diligence to the Company's satisfaction, completion of the Transaction is subject to the satisfaction or waiver of a number of other conditions precedent, including the Company:

¹ Issue price may be adjusted to \$0.35 reflecting a share consolidation expected to be completed by DMC prior to completion of the Transaction, assuming this is approved by DMC shareholders at the upcoming general meeting.

Sydney, Australia
11 September 2023: Design Milk Co Limited (ASX: DMC)

- obtaining all necessary regulatory and Shareholder approvals required for the Transaction, which includes Shareholder approval pursuant to ASX Listing Rules 7.1, 10.1 and 11.1.2 and section 611 (item 7) of the Corporations Act (amongst other provisions) and re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
- undertaking a consolidation of its securities;
- undertaking a capital raise pursuant to a prospectus to raise a minimum of \$5m;
- changing its name and ASX ticker code to reflect the new business; and
- changing its Board and management, which includes the appointment of 3 board nominees from LVX and signed executive services agreements (**ESA's**) with 4 key management personnel of LVX Global.

The material terms of the SSA signed, including further details on all conditions precedent are set out in **Annexure A** of this announcement.

The final date for satisfaction or waiver of conditions precedent is 31 October 2023, or such other date agreed in accordance with the terms of the SSA.

Shareholder approval and Re-compliance with ASX Chapters 1 and 2

The Transaction will result in a significant change to the nature and scale of the Company's activities. Accordingly, the Company will seek shareholder approval under ASX Listing Rule 11.1.2 at a general meeting.

The Company intends to convene a general meeting in the coming months to facilitate Shareholder approval for the change in the nature and scale of the Company's activities as a result of the Transaction. The Company also intends to seek shareholder approval at this meeting for, among other things, the issue of the consideration shares to the LVX vendors, the issue of shares under the Public Offer and the change of its name in order to better reflect the new business. If the name change is approved, it is expected the ASX code will also change.

A notice of meeting seeking Shareholder approval for the resolutions required to give effect to the Transaction will be sent to Shareholders in due course.

DMC has sought in-principle advice from ASX in relation to the Transaction for the purposes of ASX Listing Rule 1.1 condition 1 and 1.19.

A prospectus will be issued to assist the Company to re-comply with these requirements. There is a risk that the Company may not be able to meet the requirements of re-quotations on the ASX.

ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list of ASX. The Transaction may not proceed if ASX exercises that discretion, if the requirements for re-compliance with Chapters 1 and 2 of the ASX Listing Rules are not satisfied or if shareholders do not approve the Transaction. Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities, which are currently suspended from trading. In accordance with ASX's policy for entities undertaking back door listing transactions, the Company's securities will remain suspended from trading on ASX until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules in accordance with listing rule 11.1.3.

Proposed changes to the Board and Management

Management Team

LVX is led by its CEO, Geoff Weir and an experienced leadership team.

Geoff Weir - Chief Executive Officer

- Geoff has more than 30 years of experience in scale-ups and turnarounds in telecommunications and technology companies globally for Private Equity, Ultra High Net Worth Individuals, and government. He is currently CEO of LVX Global with responsibility for all LVX markets, strategy and M&A. Prior to LVX, Geoff was Global CFO for Vistra, managing 5,000 professionals across 48 global offices with over \$600 billion of Assets Under Administration for one of South-East Asia's largest PE firms.
- Geoff has been an active director on multiple boards for technology companies and government bodies in Europe and Asia.
- Geoff is a qualified accountant and a Fellow of the Association of Chartered Certified Accountants. In addition to a diploma and degree in Business and Finance, Geoff was awarded a first in his MBA from University College Dublin.

Mark Verheyen, President – North America division, Executive Director

- Mark has 32 years of experience in technology sales and the management of international subsidiaries. He is currently President of LVX Global North America with responsibility for all LVX international commercial operations and is an Executive Director of the Company. Prior to LVX, Mark was President of Panasonic Lighting Americas with full P&L responsibility for North American product development, manufacturing, and commercial operations.
- Mark holds an Industrial Engineering degree from the University of Applied Sciences in Munich, and has lived and worked in Europe, Asia, and North America.

Dean Jones - Chief Operating Officer

- Dean has 22 years' experience across the construction and technology sectors. He is currently Chief Operating Officer at LVX Global with operational day to day responsibility for the Australian business as well as products, systems and operational workflows globally. Dean has sold and delivered technology solutions to multiple blue-chip clients across retail, health, infrastructure and government in Australia.
- Prior to LVX, Dean was Senior Contracts and Design Manager at Integrated Quality Electrical Services, with an emphasis on Contract Management and technology deliverables.
- Dean holds a Certificate III in Electrotechnology

Stephen Borness - Chief Financial Officer

- Stephen has 25 years' experience across the information management and technology industries in Australia following 10+ years' experience in investment banking and finance across Australia, Europe and USA.
- Prior to joining LVX, Stephen was Chair and Finance Director of Pavillion Health, which was acquired by ASX listed Beamtree Holdings Limited in May 2020.
- Stephen sits on the Board of Beamtree Holdings Limited (ASX:BMT) and Gratifii Limited (ASX:GTI)
- Stephen holds a Bachelor of Business (Accounting), MBA and is a CPA

Board of Directors

At present, the proposed directors of DMC at completion of the Transaction are expected to be as follows:

Mike Hill – Non-Executive Chairman

- Mike is the Managing Director and Chief Investment Officer of Bombora Investment Management Pty Ltd a pre-IPO and listed equity fund
-

Sydney, Australia
11 September 2023: Design Milk Co Limited (ASX: DMC)

- Prior to Bombora he was an operational partner at Ironbridge, a private equity fund which had invested \$1.5B.
- Mike has been involved in and worked with management teams across a variety of industries for more than 25 years
- He Chairs and is a member of the board of Directors of several ASX listed companies including Janison Education Holdings Limited (ASX:JAN), Beamtree Holdings Limited (ASX:BMT), Mad Paws Holdings Limited (ASX:MPA) and Gratifii Limited (ASX:GTI).
- Mike holds a Bachelor of Arts Degree (Accountancy) and is a member of the Australian Institute of Chartered Accountants.
- Mike will remain in the Non-Executive Chairman role on completion of the transaction

Andrew Whitten – Non-Executive Director

- Andrew has over 30 years experience as a corporate lawyer, investor and corporate advisor with a focus on growth companies and ASX listed companies.
- He has advised many companies on ASX related matters and transactions including initial public offerings, capital raisings and acquisitions. He has developed significant expertise across a wide range of industry sectors, with an emphasis on technology. Andrew has been a Director of various ASX listed entities and unlisted entities.
- Andrew holds a Bachelor of Arts (Economics) University of New South Wales, Master of Laws and Legal Practice, University of Technology Sydney. Graduate Diploma in Applied Corporate Governance, Governance Institute.
- Andrew will remain a Non-Executive Director on completion of the Transaction

Thomas Patsakos – Non-Executive Director

- Tom is the former CEO and Executive Chairman of WINConnect a major service provider in the creation and ongoing management of Embedded Electricity Networks in Australia. Tom's background in strategy, business development and sales and marketing were instrumental in scaling this business to quickly become a market leader in this sector.
- Prior to this Tom was an executive with Tyco in their fire and security division.
- Tom has been a director on a number of Boards including as a non-executive director for the Energy Retailers Association of Australia and is currently a director for Anatom Pty Ltd.
- Tom holds a Bachelor of Business degree and an MBA from RMIT University

Emily Mohan – Non-Executive Director

- Emily has 10 years' experience across funds management, equity capital markets, M&A and equity research. She is currently an Investment Director at Bombora Investment Management.
- Prior to Bombora Emily was a Corporate Finance Executive at Blue Ocean Equities, a full-service advisory and securities firm where she structured and executed several capital raisings (both listed and unlisted), initial public offerings, and provided corporate advice.
- Emily currently also serves on the board of JAVLN Holdings Limited and Zenaq Holdings Limited.
- Emily holds a Bachelor of Commerce degree from Macquarie University

Mark Verheyen – Executive Director and President – North America division

- Biography above

In planning for the change to the Board as part of the Transaction, it is anticipated that Bryan Zekulich, Christopher Colfer and Arnaud Massenet will resign as directors of the Company. Further information will be provided to the market when that occurs, or the timing of those resignations is confirmed.

Bombora's interest

The Bombora Special Investments Growth Fund (**BSIGF**) is a current substantial shareholder LVX. BSIGF and other related entities (collectively **Bombora**) are also current substantial shareholders and noteholders of the Company.

Directors of the Company, Mike Hill and Bryan Zekulich are directors of Bombora Investment Management Pty Ltd (**Bombora**), the Investment Manager of the BSIGF. Mike Hill is also currently a director of LVX, alongside Emily Mohan, an Investment Director at Bombora.

Based on the current assumptions (which includes a prospectus capital raise of a minimum of \$5m) and their projected shareholding at re-listing, it is anticipated that Bombora will be a material shareholder at completion of the Transaction. Further details about Bombora's current holding in the Company and LVX and expected holding in the Company following completion of the Transaction will be provided in the notice of meeting to be issued by the Company at which approvals in respect of the Transaction will be sought.

Given Bombora's current shareholdings in the Company and LVX, Bombora's interest following the Transaction will be above 20%, including when combined with the conversion of the convertible notes that have been issued by the Company to Bombora. As such, the Company intends to seek shareholder approval under section 611(7) of the Corporations Act in respect of Bombora's increased interest in the Company at the upcoming general meeting.

Capital raise under Prospectus

The Transaction is conditional upon the Company undertaking a capital raise under a prospectus to raise a minimum of \$5m and a maximum of \$8m (**Public Offer**). Based on an offer price of 0.7 cents (pre-consolidation)², it is expected this would result in the issue of between 71,428,571 and 114,285,714 shares (pre-consolidation)² at the minimum and maximum raisings.

The proposed use of funds expected to be raised under the Prospectus (assuming completion of the Transaction and the Public Offer) is as follows:

Use of funds	Minimum raised	Maximum raised
Marketing/sales	\$1,000,000	\$1,600,000
Operational team	\$1,200,000	\$1,800,000
Product development	\$800,000	\$1,500,000
Other working capital	\$1,500,000	\$2,300,000
IPO expenses	\$500,000	\$800,000
Total	\$5,000,000	\$8,000,000

Note: this use of funds is indicative only based on current intentions and subject to change at the discretion of the Board.

Detailed information on the offer of securities under the Public Offer, the capital structure and an indicative timetable will be included in a prospectus that will be made available after lodgement with the Australian Securities and Investments Commission (**ASIC**). Investors should consider the prospectus (when available) in deciding whether to acquire securities in the Company. Applications for securities can only be made by completing the application form which will accompany the prospectus. If the conditions of the Public Offer are not satisfied, or the Company does not receive conditional approval for re-

² Issue price may be adjusted to \$0.35 reflecting a share consolidation expected to be completed by DMC prior to completion of the Transaction, assuming this is approved by DMC shareholders at the upcoming general meeting.

quotation on the ASX on terms which the board of the Company reasonably believes are capable of satisfaction, then the Company will not proceed with the Public Offer and will repay all application monies received (without interest).

LVX financial position and information

The Company has been advised that LVX is considering a pre-IPO capital raise to strengthen its balance sheet prior to completing the transaction.

- the capital raise will be targeted at sophisticated and/or professional investors;
- the minimum subscription is expected to be \$1m, with a maximum subscription of \$2m;
- the funds will be raised via loan instruments which will convert to equity subject to shareholder approval on completion of the acquisition of LVX by DMC; and
- the funds will be used for working capital purposes.

LVX has issued the following capital in the last six (6) months:

- 6,896,552 shares – via a capital raise of \$100,000 at \$0.0145 per share
- 15,104,145 shares – issued to executives in lieu of cash short term incentives

As noted, it is expected that LVX will complete a pre-IPO capital raise between the date of this announcement and listing on the ASX.

There have been no issues of capital by DMC in the previous six (6) months.

The audited financial statements of the Company for the period ended 30 June 2022 are set out in **Annexure B** of this announcement.

Information about the likely effect of the Transaction on the Company's consolidated total assets, annual revenue, annual expenditure, EBITDA and annual profit before tax is not yet available but will be provided as part of the notice of meeting material to be distributed to shareholders in connection with the upcoming general meeting.

Financial statements of LVX and historical financial information will be provided within the notice of meeting to Shareholders for the approval of the Transaction. An indicative pro forma statement of financial position of the Company will also be provided within that notice of meeting to Shareholders, which will be based on the audited accounts of the Company and audited accounts of LVX. At this time, the audited accounts of LVX as at 30 June 2021 and 30 June 2022 are set out in Annexure B.

Indicative timetable³

The indicative timetable for completion of the Transaction, the Public Offer and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules is outlined below:

Event	Date
Despatch Notice of Meeting to DMC Shareholders	September 2023
DMC Shareholder meeting	October 2023
Consolidation of DMC's securities	October 2023
Lodgement of Prospectus with ASIC	October 2023

³ The above dates are indicative only and are subject to change. The Company will keep shareholders updated on the timing of the implementation of the Transaction as it progresses.

Sydney, Australia
11 September 2023: Design Milk Co Limited (ASX: DMC)

Closing of offer under Prospectus	November 2023
Completion of transaction	November 2023
Re-quotation of shares on ASX	November 2023

Indicative capital structure pre and post Transaction

The below table illustrates the current and projected capital structure of the Company assuming completion of the Transaction and the Public Offer and the other assumptions noted below:

- Consolidation of DMC shares - 5 to 1, resulting in a DMC share price of \$0.35 per share
- Capital raising under the Prospectus successfully raises \$5m
- Conversion of 100% of DMC convertible notes to Shares

	Pre-consolidation	Post-consolidation
DMC pre-Transaction		
Existing shares	36,292,792	N/A
Existing options	2,289,844	N/A
Existing rights	861,090	N/A
Existing convertible notes	5,328	N/A
DMC post-Transaction		
Existing shares (includes conversion of 100% of DMC convertible notes)	45,665,025	9,133,005
Consideration shares issued to LVX shareholders (includes conversion of 100% of LVX convertible notes)	557,142,855	111,428,571
New shares issued to investors under the Public Offer Prospectus (assuming \$5m raise)	71,428,571	14,285,714
Loan Shares/Performance Rights/ESOP (issued to Board and Management)	34,259,175	6,851,835
Total shares post-Transaction (undiluted)	708,495,626	141,699,125
Options issued to Bombora	33,154,040	6,630,808
Other options (including existing DMC options/rights plus options issued on conversion of DMC notes)	6,958,287	1,391,657
LTIP options	24,454,278	4,890,856
IPO Incentive Options/Performance Rights (issued to Board and Management)	57,909,057	11,581,811
Sub-total	122,475,662	24,495,132
Total securities post-Transaction (fully diluted)	830,971,287	166,194,257

Other disclosures required by ASX Guidance Note 12

The Company provides the following disclosure in accordance with ASX Guidance Note 12 – Annexure A, to the extent that the information has not been provided elsewhere in this announcement.

1. Fees

The Company has not yet entered into a mandate with a lead manager for either the convertible note or the re-compliance Public Offer but expects to engage a lead manager shortly on market standard terms.

2. Waivers

The Company does not intend to seek a waiver from the 20 cent rule. The Company may require further confirmations from ASX, including with regards to escrow, prior to completion.

3. Appropriate Enquiries

The Company is undertaking significant due diligence into the assets and liabilities, financial position and performance, profits and losses and prospects of LVX and is satisfied that the Transaction is in the interests of the Company and its security holders, subject to the completion of due diligence, the receipt of necessary regulatory and shareholder approvals and the satisfaction or waiver of all conditions precedent in the SSA.

The Company notes that the SSA contains a condition precedent that the Company completes due diligence to its satisfaction. The Company has not yet satisfied or waived this condition precedent but intends to complete due diligence prior to lodging the Prospectus and seeking reinstatement of its Shares to official quotation. The Directors confirm that this announcement includes all material and accessible information available to the Directors as at the date of this announcement.

4. Listing Rule 3.1

The Company is in compliance with its continuous disclosure obligations under Listing Rule 3.1 as at the date of this announcement but intends to remain in suspension until such time as it is able to complete the Transaction.

ASX takes no responsibility for the contents of this announcement.

DMC confirms that this announcement has been approved by the Board of Directors of DMC.

-ENDS-

For more information, please contact Andrew Whitten at andrew@prandium.com.au

Annexure A – Material terms of SSA

Transaction	<p>The Company intends to acquire 100% of the issued share capital in LVX Global Holdings Limited can 638 155 843.</p> <p>The Company has entered into a binding SSA with key shareholders of LVX associated with Corey Gray, LVX founder and former CEO and cornerstone investor, Bombora Special Investments Growth Fund, with the intention to enter into share sale agreements in respect of all remaining shareholders as a condition precedent to completion.</p>
Purchase price	<p>\$39.0 million, payable in DMC fully paid ordinary shares for 100% of the shares on issue in LVX. The consideration shares will be issued at \$0.07.⁴</p>
Conditions precedent	<p>Completion of the Transaction will be subject to a number of conditions precedent, including, but not limited to:</p> <ul style="list-style-type: none"> (a) the Company being satisfied in its absolute discretion with its due diligence enquiries in relation to the LVX Group; (b) the Company entering into share sale agreements with the remaining shareholders of LVX in a form acceptable to the Company, and any conditions precedent under those agreements having been satisfied or waived; (c) all approvals required by any applicable law, including the ASX Listing Rules, being obtained by the Company; (d) LVX having delivered its audited consolidated full year accounts for FY23 to the Company by 8 September 2023, and the Company being satisfied in its absolute discretion with the form of these accounts, the LVX Group's financial position as at 30 June 2023 and the financial performance in the period ending on 30 June 2023; (e) LVX having delivered consolidated management accounts for the period ending on the last day of the full calendar month which is two months prior to the month in which the Transaction is completed, to the Company no later than 1 Business Day before completion, and the Company being satisfied in its absolute discretion with the form of these accounts, the LVX Group's financial position as at the pre-completion accounts date and the financial performance in the period ending on that date; (f) the Company obtaining confirmation from ASX agreeing to conditionally re-instate the Company's securities to trading on ASX on terms customary for such correspondence; (g) the Company successfully completing the Public Offer to raise a minimum \$5.0 million; (h) the Company undertaking a share consolidation for its shares in accordance with the shareholder approval; (i) the Company being satisfied in its absolute discretion that all convertible notes on issue in LVX have been converted or exercised (as applicable), shares in LVX issued to the relevant noteholders and all noteholders having entered into a share sale agreement; (j) the Company having adopted an employee share option plan with effect from Completion; (k) the Company being satisfied in its absolute discretion with the treatment of options on issue in LVX following Completion; (l) the Company being satisfied in its absolute discretion that all loans and R&D facilities owing by LVX have all been fully repaid and any security granted in relation to any of these has

⁴ Issue price may be adjusted to \$0.35 reflecting a share consolidation expected to be completed by DMC prior to completion of the Transaction, assuming this is approved by DMC shareholders at the upcoming general meeting.

Sydney, Australia
11 September 2023: Design Milk Co Limited (ASX: DMC)

	<p>been discharged and released in full, or alternatively that they will be repaid promptly following Completion using funds raised in the Public Offer; and</p> <p>(m) the Company being satisfied in its absolute discretion that Smart Cities Council, Inc. (EIN 07 953334), Smart Cities Council Australia New Zealand Pty Ltd ACN 619 159 625 and LVX Global (Deutschland) GmbH, (HRB 15395) have been wound down or transferred out of the corporate group of LVX on or prior to Completion.</p>
Conditions Date	<p>31 October 2023, or such other date agreed in accordance with the terms of the SSA.</p> <p>If any condition is not satisfied or waived on or before this date, the party who benefits from that condition may terminate the SSA by giving notice to the other parties.</p>
Conduct before completion	<p>The Sellers and LVX are subject to certain conduct restrictions which apply in relation to the operation of the LVX group and business operations during the period from signing until Transaction completion on customary terms for transactions of this nature.</p>
Completion Date	<p>Completion will occur on the date that is 5 Business Days after the satisfaction or waiver of all conditions precedent, or at such other time or date as is otherwise agreed.</p>
Warranties	<p>Each LVX seller provides customary title and capacity warranties in relation to their sale shares in favour of the Company.</p> <p>In addition, the LVX sellers and associated principals provide limited warranties about the corporate structure of the LVX group companies and LVX information provided to the Company in favour of the Company.</p> <p>The Company provides limited title and capacity warranties in relation to the Company, the consideration shares to be issued and the Company's compliance with continues disclosure requirements in favour of the sellers.</p> <p>The LVX seller and Company warranties are subject to customary limitations and qualifications for transactions of this nature.</p>

Sydney, Australia
11 September 2023: Design Milk Co Limited (ASX: DMC)

Annexure B – LVX financial statements



LVX Global Holdings Limited and Its Controlled Entities

ABN: 81 638 155 843

Financial Report for the Year Ended 30 June 2022

Financial Report

For the Year Ended 30 June 2022

Directors' Report	3
Auditor's Independence Declaration	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	53
Auditor's Report	54

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Directors' Report

For the Year Ended 30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of LVX Global Holdings Pty Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the Year Ended 30 June 2022.

Directors

The following persons were directors of LVX Global Holdings Pty Limited during the Year Ended 30 June 2022, unless otherwise stated:

- Corey Gray (Appointed: 04 June 2020)
- Nathan Eric Brown (Appointed: 19 November 2020)
- Mark Willhelm Verheyen (Appointed: 02 February 2021)
- Geoff Weir (Appointed on 29 November 2021)
- Emily Mohan (Appointed on 29 November 2021)
- Josh May (Appointed: 19 December 2019) (Resigned 24 November 2021)

Principle Activities

During the year ended, the principal continuing activities of the consolidated entity consisted of the following:

- a recognised provider of end-to-end Internet Of Things (IOT) products, services and solutions.
- to provide strategy, design and technology advisory services for engineering and infrastructure projects.
- a project management business that delivers large scale infrastructure management projects to clients predominantly in Large Format Retail, resources, property construction and public infrastructure
- to provide a highly regarded and networked organisation with significant knowledge assets in Smart City, IOT and education

Dividends

There were no dividends declared or paid during the Year Ended 30 June 2022.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Environmental Regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares Under Option

There were no unissued ordinary shares of LVX Global Holdings Limited and its Controlled Entities under option outstanding at the date of this report.

Shares Issued on the Exercise of Options

There were no ordinary shares of LVX Global Holdings Limited and its Controlled Entities issued on the exercise of options during the Year Ended 30 June 2022 and up to the date of this report.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Review of Operations

The loss for the consolidated entity after providing for income tax amounted to \$839,412 (2021: \$1,637,275). Despite challenging economic conditions, the group reached its \$13.4m forecast for the current year, a portion of this revenue which was invoiced was deferred to align with the group's revenue recognition policy. Details are as follows:

Reconciliation of core business revenue

	\$
Revenue	11,867,290
Other income	1,991,629
Total revenue per Profit & Loss	13, 858,919
Less: non-core business revenue:	
R&D Grant revenue recognised	(1,525,324)
Total core business revenue reported in Profit & Loss	<u>12,333,595</u>
Add: SCC License & membership revenue invoiced and deferred to future periods	<u>1,074,976</u>
Total core business revenue earned or invoiced for the period ended 30 June 2022	<u>13,408,571</u>

Matters Subsequent to the End of the Financial Year

In August 2022, the company commenced a process to raise \$4m in new funding through the issue of convertible notes. As at 30 September the company had raised a net \$2.4m. The process is expected to be completed by December 2022.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and have impacted the business for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2022 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.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Indemnity and Insurance of Officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the period ended, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Directors' Report

For the Year Ended 30 June 2022

Indemnity and Insurance of Auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of Amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Corey Gray
Director

29 November 2022



Geoff Weir
Director

29 November 2022

Auditor's Independence Declaration

As auditor of LVX Global Holdings Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of LVX Global Holdings Limited during the year.

Crowe Audit Australia

Crowe Audit Australia



Bruce Preston
Partner

30 November 2022
Toowoomba

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.

© 2022 Findex (Aust) Pty Ltd

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Revenue	3	11,867,290	6,783,005
Other income	3	1,991,629	374,299
Cost of sales		(6,267,574)	(4,025,911)
Employee benefits expense		(5,141,444)	(3,050,409)
Depreciation, amortisation and impairment		(306,750)	(99,749)
Other expenses		(3,500,050)	(1,569,019)
Realized and unrealized foreign exchange	3	(3,585)	(10,137)
Finance costs		(167,645)	(4,561)
Loss before income tax expense – continuing operations	4	(1,528,129)	(1,602,482)
Income tax expense	5	688,717	(34,793)
Loss after income tax expense for the period ended		(839,412)	(1,637,275)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	(43,696)
Total comprehensive loss for the year		(839,412)	(1,680,971)

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 \$	30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	999,312	3,076,556
Trade and other receivables	7	6,767,345	2,204,539
Inventory	8	640,637	437,292
Other assets and prepayments	9	317,502	129,819
Total current assets		8,724,796	5,848,206
Non-current assets			
Property, plant and equipment	10	733,787	540,916
Intangibles	11	16,697,344	15,187,431
Right-of-use asset	12	1,287,439	65,233
Deferred tax assets	13	1,788,806	169,490
Total non-current assets		20,507,376	15,963,070
TOTAL ASSETS		29,232,172	21,811,276
LIABILITIES			
Current liabilities			
Trade payables	14	5,405,986	3,175,290
Financial liabilities		-	106,779
Corporate tax payable	15	635,183	253,250
Lease liabilities	16	-	57,632
Provisions	17	334,981	192,098
Total current liabilities		6,376,150	3,785,049
Non-current liabilities			
Lease liabilities	16	1,518,717	14,124
Provisions	17	16,142	43,759
Deferred tax liabilities	13	610,451	136,360
Total non-current liabilities		2,145,310	194,243
TOTAL LIABILITIES		8,521,460	3,979,292
NET ASSETS		20,710,712	17,831,984

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 \$	30 June 2021 \$
EQUITY			
Issued capital	18	23,258,712	19,474,752
Accumulated losses		(2,793,499)	(1,954,087)
Option reserves	25	351,715	351,715
Foreign translation reserve		(106,216)	(40,396)
TOTAL EQUITY		20,710,712	17,831,984

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Statement of Changes in Equity

For the Year Ended 30 June 2022

2022	Issued Capital	Retained Earnings	Option Reserves	Foreign Translation Reserve	Total
Balance at 30 June 2021	19,474,752	(1,954,087)	351,715	(40,396)	17,831,984
Loss after income tax expense for the year	-	(839,412)	-	-	(839,412)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income	19,474,752	(2,793,499)	351,715	(40,396)	16,992,572
Other comprehensive movements	-	-	-	(65,820)	(65,820)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares, net of charges	3,783,960	-	-	-	3,783,960
Issue of options	-	-	-	-	-
Balance at 30 June 2022	23,258,712	(2,793,499)	351,715	(106,216)	20,710,712

2021	Issued Capital	Retained Earnings	Option Reserves	Foreign Translation Reserve	Total
Balance at 30 June 2020	10,715,000	(316,812)	351,715	3,300	10,753,203
Loss after income tax expense for the year	-	(1,637,275)	-	-	(1,637,275)
Other comprehensive income for the year, net of tax	-	-	-	(43,696)	(43,696)
Total comprehensive income	-	(1,637,275)	-	(43,696)	(1,680,971)
Other comprehensive movements	-	-	-	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares, net of charges	8,913,375	-	-	-	8,913,375
Issue of options	(153,623)	-	-	-	(153,623)
Balance at 30 June 2021	19,474,752	(1,954,087)	351,715	(40,396)	17,831,984

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Statement of Cash Flows

For the Year Ended 30 June 2022

	Notes	30 June 2022 \$	30 June 2021 \$
Cash flows from operating activities:			
Receipts from customers (inclusive of GST)		9,822,572	6,759,713
Payments to suppliers and employees (inclusive of GST)		(13,025,042)	(8,421,274)
		(3,202,470)	(1,661,561)
Interest received	3	2	181
Interest paid		(154,506)	(4,321)
Income tax paid		(77,392)	(35,118)
		(3,434,366)	(1,788,377)
Cash flows from investing activities:			
Cash acquired through business combinations	26(b)	(400,000)	(194,055)
Payment for property, plant and equipment	10	(365,485)	(580,504)
Payment for intangible assets	11	(1,609,033)	-
		(2,374,518)	(774,559)
Cash flows from financing activities:			
Proceeds from issue of shares		3,783,960	4,975,000
Receipt/(repayment) of right-of-use asset		(23,090)	(20,442)
Repayment of borrowings		(29,230)	(153,623)
		3,731,640	4,800,935
		(2,077,244)	2,325,557
Cash and cash equivalents at the beginning of the financial year		3,076,556	750,999
Cash and cash equivalents at the end of the financial year	6	999,312	3,076,556

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are consolidated financial statements for the group consisting of LVX Global Holdings Limited and its subsidiaries. A list of major subsidiaries is included in note 24.

The financial statements are presented in Australian dollars which is LVX Global Holdings Limited's functional and presentation currency. The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly, all amounts disclosed in the financial statements and notes and Directors' Report have been rounded off to the nearest dollar currency unit unless otherwise stated.

LVX Global Holdings Limited is a for-profit company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are as follows:

Registered Office:

Level 15
1 O'Connell Street
Sydney NSW 2000

Principal place of business:

Level 3 Bice Building
LOT Fourteen
Adelaide SA 5000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 3 to 5, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 29 November 2022. The directors have the power to amend and reissue the financial statements.

Comparatives are consistent with prior years, unless otherwise stated.

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

a) 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.

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2021:

- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The group adopted AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities in the current year. Other than the change in disclosure requirements, the adoption of AASB 1060 has no significant impact on the consolidated financial statements because the group previously complied with Australian Accounting Standards – Reduced Disclosure Requirements in preparing its consolidated financial statements

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of Preparation

These consolidated general purpose financial statements have been prepared in accordance with the Australian Accounting Standards – Simplified Disclosures and Interpretations as issued by the Australian Accounting Standards Board ('AASB'), and the Corporations Act 2001.

Historical Cost Convention

The financial statements have been prepared on an accrual basis under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties measured at fair value, certain classes of property, plant and equipment, derivative financial instruments and assets held for sale measured at fair value less cost of disposal.

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

c) Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of LVX Global Holdings Limited and its Controlled Entities ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the period then ended. LVX Global Holdings Limited and its Controlled Entities together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Principles of Consolidation (continued)

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

e) Foreign Currency Translation

Functional and presentation currency

The financial statements are presented in Australian dollars, which is LVX Global Holdings Limited's functional and presentation currency of the primary economic environment in which it operates.

Foreign Currency Translations

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

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

f) Revenue Recognition

None of the revenue streams of the entity have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Revenue Recognition (continued)

Revenue from Contracts with Customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of Services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of shipping.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

g) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Current and deferred tax is recognised as income or expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognized in other comprehensive income or equity respectively.

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

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Income Tax (continued)

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

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

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

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

h) Current and Non-Current Classification

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

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

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

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

i) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

l) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days from statement.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The group has therefore concluded that where applicable, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Trade and Other Receivables (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. Where a financial asset becomes credit impaired or where credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of the expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

m) Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials. Costs of purchased inventory are determined after deducting rebates and discounts.

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

n) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Asset Type	Depreciation rate
Computer Equipment	33.3%
Motor Vehicles	20.0%
Office Equipment	20.0%
Plant & Equipment	33.3%

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

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.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Intangible Assets

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

Asset Type	Amortisation rate
Computer software	50.0%
Trademark	20.0%
Research & Development	20.0%

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

p) Impairment of Non-Financial Assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. They are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

Other borrowing costs are expensed in the period in which they are incurred.

s) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

t) Employee Benefits

Short-Term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Employee Benefits (continued)

Other Long-Term Employee Benefits

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Post-employment obligations

The group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis.

The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Bonus plans

The group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Reclassification of employee benefit obligations

The group's liabilities for accumulating long-term employee benefit obligations are presented as part of provisions in the Statement of Financial Position.

u) Issued Capital

Ordinary shares are classified as equity.

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

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

v) Business Combinations

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

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

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Business Combinations (continued)

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

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

x) Goods and Service Tax ('GST') and Other Similar Tax

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

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

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

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

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

z) Financial Instruments

Financial Instruments are recognised initially on the date that the entity becomes party to the contractual provision of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are initially measured at fair value and subsequently at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are not reclassified subsequent to initial recognition unless the entity changes its business model for managing financial assets.

The entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to applying the group's accounting policies, and to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity and the judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year, which are discussed below. Detailed information about each of these estimates and judgements are also included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Revenue from Contracts with Customers Involving Sale of Goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of Variable Consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for Impairment of Inventories

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

Estimation of Useful Lives of Assets

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

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Goodwill and Other Indefinite Life Intangible Assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income Tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee Benefits Provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business Combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Leases

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 3: REVENUE

	Notes	30 June 2022	30 June 2021
		\$	\$
Revenue from contracts with customers			
Disaggregation of revenue from contracts with customers			
The group derives revenue from the transfer of goods and services over time and at a point in time as follows:			
<i>Revenue recognised over time</i>			
Rendering of services		5,536,048	1,284,836
<i>Revenue recognised at a point in time</i>			
Sale of goods		6,331,242	5,498,169
Total revenue from contracts with customers		11,867,290	6,783,005
Other revenue			
Interest revenue		2	181
Development & other grants		1,712,368	250,000
Government grant		-	67,500
Other miscellaneous income		279,259	56,618
		1,991,629	374,299
Net foreign exchange gains/(losses)		(3,585)	(10,137)
		1,988,044	364,162
Total revenue		13,855,334	7,147,167
Disaggregation of revenue			
The disaggregation of revenue from contracts with customers is as follows:			
<i>Geographical regions</i>			
Australia		11,587,383	6,490,420
North America		463,509	17,668
Europe		1,808,025	649,216
Total *		13,858,919	7,157,304

*excludes net foreign exchange gains/losses

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 3: REVENUE (CONTINUED)

How the group recognises revenue

Rendering of services

The LVX Global Consulting, Norman Asset Delivery & LVX IOT divisions provides design, implementation and support services under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised when the hardware is shipped, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by LVX Global Holdings Limited exceed the payment before completion of the contract, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Contract assets and liabilities are expensed at the end of the contract thereby increasing or reducing the gross margin recorded at completion of the contract. All contracts are completed in the 12-month period.

The contract assets disclosed in the Statement of Financial Position are net of a loss allowance for lifetime expected credit losses, which is determined using the simplified approach permitted in AASB 9 Financial Instruments. As the contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts, the group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets, see note 7 for further information.

Sale of goods

LVX Global EU, DE & INC all sell electrical products to their respective markets. Sales are recognised when control of the products has transferred, being when the products are shipped to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

No significant element of financing is deemed present as the sales are made with a credit term of 30 days from statement, which is consistent with market practice.

A receivable is recognised when the goods are shipped as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Membership revenue

One source of revenue from the Smart Cities entities is generated by the sale of memberships. Memberships are sold over a 12-month period and the revenue from such sale is recorded over time determined by the life of the particular membership sold. As each month of the membership expires it is recognised that the obligation to the value of 1/12th has been fulfilled.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 3: REVENUE (CONTINUED)

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Interest revenue

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Development and Government grant

Revenue is recognised in line with the performance obligations stipulated in the grant agreement.

There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants deferred are included in non-current liabilities as deferred income and credited to profit or loss on a straight-line basis over the expected lives of the related assets. All other grants are recognised in profit or loss upon receipt. See note 1(f) for further details.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 4: EXPENSES

	Notes	30 June 2022 \$	30 June 2021 \$
Loss before income tax includes the following specific expenses:			
Cost of sales		6,267,573	4,025,911
Finance costs			
Bank charges		13,323	3,097
Interest expense		756	240
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		-	-
Interest on right-of-use liabilities		153,566	1,224
Amount capitalised		-	-
		167,645	4,561
Employee Benefits Expense			
Employee benefits expense excluding superannuation		4,811,760	2,900,548
Superannuation		329,684	149,861
		5,141,444	3,050,409
Depreciation and amortisation expense			
Depreciation		159,348	72,865
Amortisation		28,859	159
Depreciation on right-of-use assets *		118,543	26,725
		306,750	99,749

“*” – includes depreciation for the year and other write-offs during the year

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 5: INCOME TAX EXPENSE

	Notes	30 June 2022 \$	30 June 2021 \$
Income tax expense			
Current tax – total		578,600	47,525
- Current tax on profits for the year		578,600	47,525
- Adjustments for current tax of prior periods		-	-
- Other		-	-
Deferred tax – origination and reversal of temporary differences - total		(1,267,317)	(12,732)
- Decrease (increase) in deferred tax assets		(1,619,316)	-
- (Decrease) increase in deferred tax liabilities		474,091	-
- Adjustments for deferred tax of prior periods		(122,092)	(12,732)
		(688,717)	34,793
Income tax expense is attributable to:			
- Profit from continuing operations		(688,717)	34,793
- Profit from discontinued operations		-	-
		(688,717)	34,793
<i>Significant estimates – None</i>			
Numerical reconciliation of income tax expense to tax at the statutory rate			
Loss before income tax expense		(1,528,129)	(1,602,482)
- Profit from continuing operations before income tax expense		(1,528,129)	(1,602,482)
- Profit from discontinuing operations before income tax expense		-	-
Tax at the average statutory rate of 25% (2021 – 26%)		(382,032)	(386,419)
Non-deductible expenses		284,755	58,110
Non-assessable income		(481,324)	(7,230)
Net deferred tax asset not taken up		-	371,711
Other items		(110,116)	(1,379)
- Adjustments for current tax of prior periods		(38,202)	-
- Previously unrecognised tax losses		(263,003)	-
- Other		191,089	(1,379)
Income tax expense		(688,717)	34,793

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

	Notes	30 June 2022	30 June 2021
		\$	\$
Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		-	91,648
Potential tax benefit @ 25% (2021: 26%)		-	23,828

The unused tax losses relate to losses which can only be recovered through future taxable income. They can be carried forward indefinitely. See notes 2 and 13 for information about recognised tax losses and significant judgements made in relation to them.

NOTE 6: CASH AND CASH EQUIVALENTS

	Notes	30 June 2022	30 June 2021
		\$	\$
Cash on hand		1,406	52,092
Cash at bank		997,906	3,024,464
		999,312	3,076,556
Reconciliation to cash flow statement			
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Balances above		999,312	3,076,556
Balances per statement of cash flows		999,312	3,076,556

Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 1(k) for the group's other accounting policies on cash and cash equivalents.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 7: TRADE AND OTHER RECEIVABLES

	Notes	30 June 2022 \$	30 June 2021 \$
Trade receivables from contracts with customers		6,767,345	2,204,539
Less: Allowance for expected credit losses		-	-
		6,767,345	2,204,539

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days from statement and classified as current. 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. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Allowance for Expected Credit Losses

No losses were recognised in relation to the expected credit losses in the consolidated entity for the current year (2021: \$NIL).

Significant estimates – None

NOTE 8: INVENTORY

	Notes	30 June 2022 \$	30 June 2021 \$
<i>At cost:</i>			
Finished goods		640,637	437,292
Less: Allowance for impairment		-	-
		640,637	437,292

Amounts recognised in profit or loss

Write downs of inventories to net realisable value during the year were \$NIL (2021: \$NIL). Reversals of previous written down inventory amounted to \$NIL (2021 – \$NIL). These amounts are recognised in finished goods and work in progress in the statement of profit or loss where relevant.

Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. Volume rebates or discounts are taken into account when estimating the cost of inventory if it is probable that they have been earned and will take effect.

See note 1(m) for the group's other accounting policies for inventories.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 9: OTHER ASSETS AND PREPAYMENTS

	Notes	30 June 2022	30 June 2021
		\$	\$
Current			
<i>Financial assets at amortised cost</i>			
Rental bonds		83,430	83,600
Other receivables		76,073	9,949
Prepayments		157,999	36,270
Loans to key management personnel or related parties		-	-
		<u>317,502</u>	<u>129,819</u>
Non-current			
<i>Financial assets at amortised cost</i>			
Prepayments		-	-
Loans to related parties		-	-
Loans to key management personnel or related parties		-	-
		<u>-</u>	<u>-</u>

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Notes	30 June 2022 \$	30 June 2021 \$
Computer equipment – at cost		90,636	32,994
Less: Accumulated depreciation		(27,320)	(12,381)
		63,316	20,613
Motor vehicle – at cost		644,564	511,269
Less: Accumulated depreciation		(192,548)	(64,194)
		452,016	447,075
Office equipment – at cost		236,959	73,814
Less: Accumulated depreciation		(28,962)	(4,141)
		207,997	69,673
Plant and equipment – at cost		11,857	454
Less: Accumulated depreciation		(1,398)	(443)
		10,459	11
Total Plant and Equipment		733,788	537,372

	Office equipment \$	Plant and equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Opening balance as at 30 June 2021	69,673	11	20,613	447,075	537,372
Additions through business combinations at net book value	-	-	-	-	-
Additions during the year	163,145	11,403	57,642	133,295	365,485
Depreciation	(20,361)	(955)	(14,651)	(123,381)	(159,348)
Impairment loss	-	-	-	-	-
Foreign exchange translation	(4,460)	-	(288)	(4,973)	(9,721)
Closing balance as at 30 June 2022	207,997	10,459	63,316	452,016	733,788

For assets pledged as security – NIL (2021: \$NIL) assets pledged as security by the group.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 11: INTANGIBLE ASSETS

	Notes	30 June 2022	30 June 2021
		\$	\$
Goodwill		15,029,322	15,098,452
Platform and Activator Software - Cost		415,389	271,942
Platform and Activator Software – Accumulated amortisation and impairment		(236,543)	(205,397)
Trademark – Cost		31,169	28,612
Trademark – Accumulated amortisation and impairment		(5,022)	(2,634)
Research & Development - Cost		1,463,029	-
Research & Development – Accumulated amortisation and impairment		-	-
Total Intangible assets		16,697,344	15,190,975

Reconciliations

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

Goodwill	Notes	30 June 2022	30 June 2021
		\$	\$
Business combination – LVX Global Consulting Pty Limited		500,000	500,000
Business combination – LVX IOT Pty Limited		7,731,715	7,731,715
Business combination – LVX Global Inc.		450,948	450,948
Business combination – LVX Global (EU) Pte Limited		476,482	476,482
Business combination – Norman Asset Delivery Pty Limited		2,426,958	2,426,958
Business combination – MEPTek Pty Limited		2,177,849	2,177,849
Business combination – Smart Cities Council Inc.		913,655	982,785
Other goodwill		351,715	351,715
Closing balance		15,029,322	15,098,452

	Research & Development	Platform & Activator Software	Trademark	Total
	\$	\$	\$	\$
Opening balance as at 30 June 2021	-	66,545	25,978	92,523
Additions through business combinations at net book value	-	-	-	-
Additions during the year	1,463,029	143,447	2,557	1,609,033
Amortisation	-	(26,471)	(2,388)	(28,859)
Impairment loss	-	-	-	-
Foreign exchange translation	-	(4,675)	-	(4,675)
Closing balance as at 30 June 2022	1,463,029	178,846	26,147	1,668,022

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

Impairment Testing

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	30 June 2022	30 June 2021
	\$	\$
Business combination – LVX Global Consulting Pty Limited	500,000	500,000
Business combination – LVX IOT Pty Limited	8,385,070	8,385,070
Business combination – LVX Global Inc.	1,082,524	1,082,524
Business combination – LVX Global (EU) Pte Limited	1,369,400	1,369,400
Business combination – Norman Asset Delivery Pty Limited	2,426,958	2,426,958
Business combination – Smart Cities Council Inc.	913,655	982,785
Other goodwill	351,715	351,715
	15,029,322	15,098,452

The recoverable amount of the consolidated entity's goodwill has been determined as the higher of the asset's value in use and its fair value less cost of disposal using a discounted cash flow model, based on a 5-year projection period approved by management and the board, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

Significant judgement and estimate: impairment for goodwill - key assumptions used in value-in-use calculations

The group tests annually whether goodwill has suffered any impairment. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. The group has used the following assumptions in the calculation of value-in-use:

- Sales growth rates over the five-year forecast period that are based on past performance and management's expectations of market development and include the renewal of certain key customer contracts.
- Sales price annual growth rates over the five-year forecast period that are based on current industry trends and including long-term inflation forecasts for each territory.
- Budgeted gross margin, other operating costs and annual capital expenditure that are based on past performance and management's expectations for the future.
- Pre-tax discount rates that reflect the specific risks relating to the relevant CGUs.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

Cash flows beyond the five-year period are extrapolated using the long-term growth rates which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The assumptions used for current reporting period may differ from the assumptions in the next reporting period as internal and external circumstances and expectations change. Excluding goodwill, this may require further impairment write-downs or the reversal of previous write-downs as the case may be. In particular, the group has assumed sales growth rates as tabled below, with some of the group entities showing promising growth when compared to previous periods.

Sensitivity

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting Goodwill carrying amount may decrease. Business units are assessed individually to ascertain whether changes in growth rates may impact them. Sensitivity is mainly driven by the cost of equity and resulting WACC. The sensitivities are as follows:

- Where WACC was to increase from 14% to 17%, sales would need to decrease by more than 16% (2021: 16%) over the forecast period before goodwill would need to be impaired, with all other assumptions remaining constant. The discount rate (WACC) would be required to increase by 3% (2021: 4%) from 14% to 17% before goodwill would need to be impaired, or a potential impairment loss would need to be recognised against the carrying amount of the assets. This also assumes that all other assumptions remain constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the above-mentioned cash generating unit's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Management did not identify any indicators of impairment over software or trademarks.

The following key assumptions were used in the discounted cash flow model for the above-mentioned cash generating units. There were no other key assumptions for these cash-generating units, and based on the below, the recoverable amounts, of the above-mentioned cash-generating units, exceeded their carrying amounts.:

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

	Post tax discount rate	Average projected revenue growth	Average gross margin	Average operating costs and overheads
LVX Global Consulting Pty Limited				
- 2027	14.1%	20%	52%	10%
- 2026	14.1%	25%	52%	10%
- 2025	14.1%	30%	52%	10%
- 2024	14.1%	30%	52%	15%
- 2023	14.1%	1%	52%	15%
LVX IoT Pty Limited				
- 2027	14.1%	20%	45%	10%
- 2026	14.1%	25%	45%	10%
- 2025	14.1%	30%	45%	10%
- 2024	14.1%	35%	45%	15%
- 2023	14.1%	34%	45%	14%
LVX Global Inc				
- 2027	14.1%	25%	72%	10%
- 2026	14.1%	50%	66%	10%
- 2025	14.1%	75%	61%	10%
- 2024	14.1%	100%	53%	15%
- 2023	14.1%	1883%	42%	118%
LVX Global (EU) Pte				
- 2027	14.1%	20%	40%	10%
- 2026	14.1%	25%	38%	10%
- 2025	14.1%	30%	36%	10%
- 2024	14.1%	50%	34%	15%
- 2023	14.1%	95%	32%	33%
Norman Asset Delivery Pty Limited				
- 2027	14.1%	20%	45%	10%
- 2026	14.1%	30%	45%	10%
- 2025	14.1%	40%	45%	10%
- 2024	14.1%	50%	45%	15%
- 2023	14.1%	23%	45%	22%
Smart Cities Council Inc				
- 2027	14.1%	5%	87%	10%
- 2026	14.1%	10%	87%	10%
- 2025	14.1%	15%	87%	10%
- 2024	14.1%	30%	87%	15%
- 2023	14.1%	9%	87%	51%

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 12: RIGHT-OF-USE ASSETS

	Notes	30 June 2022	30 June 2021
		\$	\$

Amounts recognised in the Statement of Financial Position:

Right-of-use assets

Buildings		1,430,488	65,233
Less: Accumulated depreciation		(143,049)	-
		<u>1,287,439</u>	<u>65,233</u>

For more information on the group's policies regarding right-of-use assets, refer note 1(j).

NOTE 13: DEFERRED TAX BALANCES

	Notes	30 June 2022	30 June 2021
		\$	\$

Deferred tax assets

The balance comprises temporary differences attributable to:

Lease liabilities		454,927	-
Provisions for warranties, make good obligations and legal claims		163,246	57,358
Tax losses		951,608	69,924
		<u>1,569,781</u>	<u>127,282</u>

Other

Loss allowances for financial assets		-	-
Accrued expenses		216,276	42,208
Other		2,749	-
		<u>219,025</u>	<u>42,208</u>
Total deferred tax assets		<u>1,788,806</u>	<u>169,490</u>

Significant estimates

The deferred tax assets include an amount of \$69,924 which relates to carried-forward tax losses. The group expects to be able to recover these losses against taxable income over the following two to three years.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 13: DEFERRED TAX BALANCES (CONTINUED)

Movements during the year:

	Lease liabilities	Tax losses	Employee benefits	Provisions	Other	Total
	\$	\$	\$	\$	\$	\$
Opening balance - 30 June 2020	-	-	16,769	-	-	16,769
Charged/credited						
- To profit or loss	-	69,924	35,889	-	46,908	152,721
- To other comprehensive income	-	-	-	-	-	-
At 30 June 2021	-	69,924	52,658	-	46,908	169,490
Charged/credited						
- To profit or loss	454,927	881,684	76,601	-	206,104	1,619,316
- To other comprehensive income	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
Closing balance - 30 June 2022	454,927	951,608	129,259	-	253,012	1,788,806

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Plant and Equipment	97,623	65,414
Right-of-use-assets	397,210	-
Intangible assets	-	-
	494,833	65,414

Other

Prepayments	37,641	5,946
Accrued Income	62,500	65,000
Other	15,477	-
	115,618	70,946
Total deferred tax liabilities	610,451	136,360

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 13: DEFERRED TAX BALANCES (CONTINUED)

Movements during the year:

	Plant and Equipment	Right- of-use assets	Intangible assets	Prepayments	Inventories and other	Total
	\$	\$	\$	\$	\$	\$
Opening balance - 30 June 2020	-	-	-	-	-	-
Charged/credited						
- To profit or loss	65,414	-	-	5,946	65,000	136,360
- To other comprehensive income	-	-	-	-	-	-
At 30 June 2021	65,414	-	-	5,946	65,000	136,360
Charged/credited						
- To profit or loss	32,209	397,211	-	31,695	12,976	474,091
- To other comprehensive income	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
Closing balance - 30 June 2022	97,623	397,211	-	37,641	77,976	610,451

NOTE 14: TRADE AND OTHER PAYABLES

	Notes	30 June 2022	30 June 2021
		\$	\$
Current liabilities			
Trade payables		1,650,018	1,062,464
Other payables		966,768	551,007
		2,616,786	1,613,471
<i>Financial liabilities measured at amortised cost</i>			
Employee related balances payable		663,661	538,782
Net GST Payable		706,968	382,848
Deferred consideration (refer below)		1,418,571	640,189
		5,405,986	3,175,290

Trade payables are unsecured, non-interest bearing and are usually paid within 60 days of recognition. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 15: CORPORATE TAX PAYABLE

	Notes	30 June 2022	30 June 2021
		\$	\$
Provision for income tax receivable/payable		635,183	253,250

NOTE 16: LEASE LIABILITIES

	Notes	30 June 2022	30 June 2021
		\$	\$
<i>Amounts recognised in profit or loss:</i>			
The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to interest expense on lease liabilities and short-term leases or leases of low value assets are shown below:			
Expenses relating to short-term leases		-	-
Expenses relating to leases of low-value assets		-	-
		-	-
Depreciation of right-of-use assets:			
The depreciation and amortisation disclosed in the statement of profit or loss includes the following amounts for right-of-use assets:			
Buildings		143,049	-
		143,049	-
Lease liabilities			
Current		-	57,632
Non-current		1,518,717	14,124
		1,518,717	71,756

Future lease payments in relation to lease liabilities as at period end are as follows:

Within one year		-	57,954
Later than one year but not later than five years		923,242	14,147
Later than five years		1,166,200	-
		2,089,442	72,101

Additions to the right-of-use assets during the 2022 financial year were recognised at \$1,365,255 (2021 –\$NIL).

The group leases various building premises. Rental contracts are typically made for fixed periods of 10 years with a 5-year renewal option.

Terms and conditions

Property lease payments contain variable lease payments that are linked to consumer price index and are included in the calculations of right-of-use assets and lease liabilities in relation to these leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 17: PROVISIONS

	Notes	30 June 2022	30 June 2021
		\$	\$
Employee benefit obligations			
Current			
Annual leave		275,876	183,080
Cash-settled share-based payment obligations		-	-
Long service leave		41,336	-
Time in lieu		17,769	9,018
		334,981	192,098
Non-Current			
Long service leave		16,142	43,759

NOTE 18: ISSUED CAPITAL

	Notes	30 June 2022	30 June 2022	30 June 2021	30 June 2021
		Shares	\$	Shares	\$
Ordinary shares – fully paid		2,066,689,567	23,258,712	1,877,262,697	19,474,752

Movements in Ordinary Share Capital

	Date	Shares	Issue Price	Total
			\$	\$
Opening balance as at 30 June 2021		1,877,262,697		19,474,752
Issue of shares	24 December 2021	179,426,870	\$0.02	3,583,960
Issue of shares	28 April 2022	10,000,000	\$0.02	200,000
Capital raising cost	-	-	-	-
Closing balance as at 30 June 2022		2,066,689,567		23,258,712

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 18: ISSUED CAPITAL (CONTINUED)

Ordinary shares

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.

Franked dividends

\$NIL Franked dividends declared or paid during the year.

No final dividend for 2022 was declared after the end of the reporting period.

NOTE 19: REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by Crowe Audit Australia (CAA) as the auditor of the parent entity, LVX Global Holdings Ltd, by CAA's related network firms and by non-related audit firms:

	Notes	30 June 2022	30 June 2021
		\$	\$
<i>Auditors of the Group – CAA and related network firms</i>			
Audit of financial reports			
Group		60,000	89,100
Controlled entities		57,801	-
Total audit of financial reports		117,801	89,100
Other statutory assurance services			
		-	-
Other assurance services			
		117,801	89,100
Other services			
- Tax compliance services		-	-
- Tax advisory services		4,150	97,083
- Consulting services		-	4,000
- Accounting		68,382	57,404
- Corporate Finance		-	141,200
Total other non-audit services		70,532	299,687
Total services provided by CAA		188,333	388,787

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 20: KEY MANAGEMENT PERSONNEL

Compensation

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

	Notes	30 June 2022	30 June 2021
		\$	\$
Aggregate compensation		894,980	678,249

No additional payments were made to key management personnel for services to the group in addition to the above.

Subsidiaries

Interests in subsidiaries are set out in Note 24.

Key management personnel

Disclosure relating to key management personnel are set out in Note 21.

Transactions with related parties

	Notes	30 June 2022	30 June 2021
		\$	\$
Purchases of various goods and services from entities controlled by key management personnel			
Services provided by related parties		518,064	203,284

NOTE 21: RELATED PARTY TRANSACTIONS

Purchases from entities controlled by key management personnel

The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:

- administration and consultancy services rendered

Loans to/from related parties

There were no loans to or from related parties as at 30 June 2022.

Terms and conditions

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

NOTE 22: CASH FLOW INFORMATION

Non-cash investing and financing activities:

	Notes	30 June 2022	30 June 2021
		\$	\$
Non-cash activities		-	-

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 23: PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Notes	30 June 2022	30 June 2021
		\$	\$
Statement of profit or loss and other comprehensive income			
Profit / (Loss) after income tax		(1,061,430)	153,717
Total comprehensive income loss		(1,061,430)	153,717

	Notes	30 June 2022	30 June 2021
		\$	\$
Statement of financial position			
Total current assets		8,271,875	1,318,165
Total non-current assets		14,836,186	19,619,257
Total current liabilities		(783,514)	(1,335,545)
		22,324,547	19,601,877
Equity			
Issued capital		23,258,712	19,474,752
Option reserve		351,715	351,715
Retained earnings		(1,285,880)	(224,590)
		22,324,547	19,601,877

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Guarantees entered into by the parent entity

Carrying amount included in current liabilities

	-	-
--	---	---

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries. The parent entity has also not provided any unsecured guarantees in respect of:

- (i) lease contracts of subsidiaries,
- (ii) bank overdrafts of subsidiaries,
- (iii) bank loan of subsidiaries. No liability has been recognised in relation to these financial guarantees.

Contractual commitments for the acquisition of plant or equipment

As at 30 June 2022, the parent entity did not have any contractual commitments for the acquisition of plant or equipment.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 24: INTERESTS 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 1:

Name	Principal activities	Principal place of business / Country of incorporation	Ownership Interest 30 June 2022 %	Ownership Interest 30 June 2021 %
LVX Global Consulting Pty Limited	Advisory services	Australia	100	100
LVX IOT Pty Limited	Project management & maintenance services	Australia	100	100
LVX Global Inc.	Sale of goods	United States of America	100	100
LVX Global (EU) Pte Limited	Sale of goods	Ireland	100	100
LVX Global (Deutschland) GmbH	Sale of goods	Germany	100	100
MEPTek Pty Limited	Research & Development/Intellectual Property	Australia	100	100
Norman Asset Delivery Pty Limited	Project management & advisory services	Australia	100	100
Smart Cities Council Inc	Membership/networking services	United States of America	100	100
Smart Cities Council Anz Pty Limited	Membership/networking services	Australia	100	100

These subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Significant restrictions on subsidiaries

No cash and short-term deposits held in the subsidiaries are subject to loan covenant requirements in maintaining current assets which restricts the ability of the subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 25: OPTION RESERVE

	Notes	30 June 2022 No of Options	30 June 2022 \$
Options		150,000,000	351,715

On 31 May 2020, 150,000,000 options became vested pursuant to the Completion of the purchase of LVX Global Consulting Pty Limited, LVX IOT Pty Limited, LVX Global Inc, LVX Global (EU) Pty Limited. The options were issued to Bombora Investment Management Pty Limited for organising and facilitating the business acquisition.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	31/05/2020
Expiry date	31/05/2023
Share price at grant date	\$0.011
Exercise price	\$0.01
Expected volatility	20.00%
Risk-free interest rate	2.00%
Fair value at grant date	\$0.00234

Set out below are the options exercisable at the end of the financial year:

Grant Date	Expiry Date	30 June 2021 Number
31/05/2020	31/05/2023	150,000,000

During the Year Ended 30 June 2022, no options were exercised.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 26: BUSINESS COMBINATION

No Business Combinations occurred the current year.

During the Year Ended 30 June 2021, LVX Global Holdings Limited had made the following three business acquisitions:

1. MEPTek Pty Limited
2. Normal Asset Delivery Pty Limited
3. Smart Cities Council Inc

The details of their acquisitions are detailed as follows:

a) MEPTek Pty Limited

On 31 December 2020 the Company had acquired a 100% interest in MEPTek Pty Limited for the total consideration transferred of \$2,000,000. MEPTek had developed a world leading fire and life safety product that can integrate with any Fire Instrument Panel. The product is marketed under the brand name of FireM. The legal entity has since been renamed LVX Global IP Pty and will be the vehicle for building all LVX Global technology development and intellectual property assets going forward. The aforementioned attributed to the recognition of goodwill.

Details of the acquisition are as follows:

	Notes	Fair Value \$
Cash		182,600
Trade receivables		6,765
Property, plant and equipment at Net Book Value		23,672
Trade payables		(102,345)
Other payables		(285,321)
Income tax payables		(3,220)
Net liabilities acquired		(177,849)
Goodwill		2,177,849
Acquisition date fair value of the total consideration transferred		2,000,000
Representing:		
Cash paid		242,000
Shares issued to vendors		1,758,000
		2,000,000

Significant estimate: contingent consideration – None.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 26: BUSINESS COMBINATION (CONTINUED)

b) Norman Asset Delivery

On 28 February 2021 the Company had acquired a 100% interest in Norman Asset Delivery Pty Limited for the total consideration transferred of \$2,363,000. Norman Asset Delivery is a project management business that delivers large scale infrastructure management projects to clients predominantly in Large Format Retail, resources, property construction and public infrastructure in Australia. The acquisition of Norman Asset Delivery is to expand LVX Solve capabilities, drive sales and add key clients. The aforementioned attributed to the recognition of goodwill. Deferred consideration was settled in 2022.

Details of the acquisition are as follows:

	Notes	Fair Value \$
Other payables		(49,404)
Employee benefits		(14,554)
Net assets acquired		(63,958)
Goodwill		2,426,958
Acquisition date fair value of the total consideration transferred		2,363,000
Representing:		
Cash paid		263,000
Shares issued to vendors		1,700,000
Deferred consideration		400,000
		2,363,000

Significant estimate: contingent consideration – None.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 26: BUSINESS COMBINATION (CONTINUED)

c) Smart Cities Council Inc.

On 31 May 2021 the Company had acquired a 100% interest in Smart Cities Council Inc LVX Global Inc for the total consideration transferred of \$960,750. The Smart Cities Council is a highly regarded and networked organisation with significant knowledge assets in Smart City, IOT and education. The acquisition is a strategic beach head in Washington DC for US market acceleration. The aforementioned attributed to the recognition of goodwill.

Details of the acquisition are as follows:

	Notes	Fair Value \$
Cash and cash equivalents		128,345
Trade receivables		58,680
Trademark at Net book value		25,370
Trade payables		(2,748)
Other payables		(353,759)
Borrowings		(103,918)
Income tax payable		(14,191)
Net assets acquired		(262,221)
Goodwill		982,785
Acquisition date fair value of the total consideration transferred		720,564
Representing:		
Shares issued to vendors		480,375
Deferred consideration		240,189
		720,564

Significant estimate: contingent consideration

Deferred consideration to be issued as shares and is to be based upon the weighted achievement of the following criteria:

1. Signing of Smart Cities Council India license agreement on or before 1 June 2022
2. Gross revenue for the period 1 June 2021 to 31 May 2022
3. Adjusted EBITDA for the period 1 June 2021 to 31 May 2022

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Notes to the Financial Statements

For the Year Ended 30 June 2022

NOTE 27: EVENTS OCCURRING AFTER THE REPORTING PERIOD

In August 2022, the company commenced a process to raise \$4m in new funding through the issue of convertible notes. A 30 September the company had raised a net \$2.4m. The process is expected to be completed by December 2022.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and have impacted the business for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2022 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.

NOTE 28: COMMITMENTS

Capital commitments

There is no significant capital expenditure contracted for at the end of the reporting period not recognised.

NOTE 29: RECLASSIFICATION OF PRIOR YEAR FIGURES

Prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

LVX Global Holdings Limited and its Controlled Entities

ABN: 81 638 155 843

Directors' Declaration

For the Year Ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards – Simplified Disclosure Standard, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Corey Gray
Director

29 November 2022



Geoff Weir
Director

29 November 2022

Independent Auditor's Report to the Members of LVX Global Holdings Limited

Opinion

We have audited the financial report of LVX Global Holdings Limited (the Company and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended 30 June 2022, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) Complying with Australian Accounting Standards - General Purpose Simplified Disclosures 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 are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

© 2022 Findex (Aust) Pty Ltd

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Group's Annual Report for the year ended 30 June 2022 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 accordingly 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – General Purpose Simplified Disclosures 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Crowe Audit Australia

Crowe Toowoomba



Bruce Preston
Partner

30 November 2022
Toowoomba