



**YPB Group Limited**

**ACN 108 649 421**

**Annual Report**

**31 December 2020**

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# Executive Chairman and CEO's Report to Shareholders

Dear fellow shareholders,

I am pleased to present YPB Group's Annual Report for the year ended 31 December 2020.

2020 was a year in which our mission to reduce the harm of counterfeit and enhance the engagement of brands with their consumers was clearly advanced.

Our product suite made major technical progress and our sales channels were enhanced despite the many hindrances of COVID-19.

YPB has developed powerful solutions to enormous problems in enormous markets. We simultaneously solve three critical problems:

1. Brands globally experience massive losses from counterfeit with the annual cost estimated to be US\$2.3 trillion by 2022. (source: Frontier Economics the Economic Impacts of Counterfeiting and Piracy: <https://iccwbo.org/publication/economic-impacts-counterfeiting-piracy-report-prepared-bascap-inta/>)
2. Consumers want assurance of authentic products (and genuine goods are vital in areas such as pharmaceuticals) and highly value the ability to self-authenticate.
3. Media fragmentation has damaged brands' abilities to know and engage with their consumers.

YPB has fully integrated, low cost, and highly effective solutions to these problems. We protect products, facilitate consumer authentication, and then utilise the authentication process to create a direct engagement channel between brand and consumer.

## Our powerful three-pronged technology edge

Over the past 8 years, YPB has developed a patent-protected intellectual property (IP) portfolio of materials science technologies that ensure product authenticity. The foundation technology in this portfolio is our original tracer-scanner solution.

Tracer-scanner is a robust, simple means of ensuring product authenticity in business supply chains. Minute amounts of invisible, indestructible, uncopyable tracer is incorporated in or applied to product packaging and may even be incorporated into a product itself. Its presence is detected with YPB's proprietary scanner, giving a yes/no answer to whether the product is fake or real based on the presence or absence of the tracer.

Its greatest relevance is in ultra-high-volume markets in Asia, most notably China where 85% of the world's fake goods originate.

This materials science heritage is now on the cusp of being launched into a many-times larger opportunity in mass consumer markets via smartphone-based proof of authenticity. This solution, known as MotifMicro, is a breakthrough forensic standard, business-to-consumer product authentication technology which to the best of our knowledge is unique in the world.

YPB acquired the global rights to MotifMicro from world renowned MIT in 2017. Subsequently, we have developed both the specialised MM1 tracer and the artificial intelligence skills that allow detection of the invisible MM1 particles by smartphone.

MM1 is the second leg of our product authentication portfolio and has enormous commercial potential.

The third leg of our authentication capabilities is the digital identity generation of our Connect software platform. Connect is not only an elegant piece of consumer engagement software, it is also the generator of unique product identities

at the individual item level through serialised barcodes i.e. QR codes with each bar code bearing a unique digital serial number.

While serialised product identities have many benefits, they have one severe weakness: they are easily faked, as the marker (QR code) bearing the individual identity is easily copied.

One purported solution to this problem, although not yet in commercial use, is blockchain technology which provides an immutable record of chain of custody. But this advanced solution also has a key vulnerability in that it is reliant on unique digital identities and, as just noted, digital identities can be easily faked. So, if a fake digital identity is entered into the blockchain, the result is an immutable record of the lifecycle of a fake product.

Blockchain then can only be secure if the gateway into the blockchain is secure - if only genuine identities are entered into the blockchain. This is where YPB's solution set is so compelling in both the futuristic blockchain application and right now in being able to provide secure identities.

YPB has a unique ability to provide both physical and digital protection of a product. It is our integration of materials science, serialisation, software development and smartphone skills that has resulted in the capability to prove individual item authenticity via smartphone.

We believe we have built the first effectively fake-proof product authentication solution for ultra-high volume, mass consumer markets and the implications for potential shareholder value creation are profound.

### **Authenticity triggers engagement**

When YPB's anti-counterfeit technologies are deployed on packaging, brands can harness the eagerness of consumers to prove product authenticity to create a key marketing asset.

In crowded consumer markets with greater dispersion of media consumption, winning an engaged consumer is increasingly difficult but always highly prized. That's why the act of smartphone authentication can be used as a unique, valuable trigger to spur engagement. A consumer willing to scan a product to prove its authenticity is an engaged consumer.

YPB's Connect platform supports the smartphone authentication scan and in that process creates a new, direct, digital engagement channel between brand and consumer.

Direct consumer engagement is perhaps the most valuable marketing asset as campaigns can be pinpoint accurate, especially when accompanied by informative data. Connect captures rich, personal and population data of great value to brands (while fully legally compliant).

As individual solutions or as integrated complete packages, YPB's technologies offer compelling value in reducing the loss from fakes, empowering consumers to prove a product is genuine, and enhancing engagement between brands and consumers.

They are unique, effective, low cost and are built around the enormous advantage of providing both physical and digital counterfeit protection, while leveraging authentication to engage consumers.

### **Major technical advances in 2020 and into 2021**

#### *Product authentication*

The primary focus of product authentication R&D in 2020 was MotifMicro, YPB's revolutionary product authentication technology for consumer goods markets.

The focus of MotifMicro R&D was to take the breakthroughs of 2019 in smartphone readability of forensic MM1 tracer and make them technically robust. Simultaneously, MM1's market readiness

was progressed with the creation and refinement of a smartphone app to make consumer product scans simple and easy.

Some of the more significant 2020 goals and actions were:

- Refining the parameters for the production of MM1 particle and tracer in high volume.
- Maximising the accuracy of scans in increasingly difficult real-world conditions.
- Developing Android capability in addition to iOS.
- Maximising the number of phone models supported on both platforms (phone parameters need modulation for different phone models as each has a different camera technology).
- Testing the high speed, full-scale production line application of MM1 tracer to products.
- Optimising MM1 formulations for various printing and production methods.
- Building the MM app for successful consumer scanning of MM1 marked products.
- Commencing the integration of object recognition capabilities to allow a broader range of scan subjects, including brand logos.
- Initiating the development of an intuitive, visual, user guide to ensure the scan process is user friendly.

### *Consumer engagement*

The other main arm of R&D in 2020 was the completion and release of Connect 2.0, the new generation of YPB's Customer Engagement SaaS (software as a service) platform.

Connect 2.0 saw a total rebuild of its predecessor and the result is an advanced, flexible SaaS product. Key work and functional development in 2020 included:

- A complete re-architecting. This greatly increased scalability allowing increased volumes from current and new customers to be accommodated quickly and efficiently and at negligible incremental cost.

- Much greater efficiency of resource use with consequent lower operating costs. Connect 2.0 now only uses hosting resources 'on demand' and is much lower cost to operate compared with an 'always on' service.
- Increased self-serve capabilities including QR and serial number generation.
- A more extensive set of captured data.
- Greater data analytics power with numerous user-generated reporting options.
- More options for direct-from-platform communications.
- Greater ease of linking scans to brands' home and product landing pages.
- The successful migration by year end of all clients to the new platform.

Connect 2.0 has been well received by YPB's customers. Numerous requests for further product enhancements have been enacted and the product development roadmap is closely aligned with customer needs.

In 2020 Connect also developed functionality to collate data from disparate sources. The specific intent of this work was to address challenges seen by State Governments in monitoring contact tracing data generated on a wide variety of platforms. These capabilities have been demonstrated but to date have not found traction as mandatory use of State Government apps was belatedly imposed. Nevertheless, the flexibility and speed of development of new features in Connect bodes well for responding quickly to the needs of current and potential customers.

In summary, the technical progress in 2020 across product authentication solutions, particularly MotifMicro1, and the Connect, consumer engagement platform was excellent and a great credit to our technical team in Bangkok who worked from their homes for much of the year. Both product sets are more functional, robust and relevant to brands than they have ever been.

We are competitively well placed as we move from our historic single B2B product to a portfolio of technically leading B2B and

B2C products, and we aggressively pursue B2C markets for the first time.

### **Leveraging our technology in market**

COVID-19 was a major impediment to our business development plans in 2020 but valuable progress was made nonetheless.

The pandemic disrupted the normal pattern of customer orders as demand for their own products became erratic and supply chains interrupted.

In addition, signing new customers in 2020 was very difficult with urgent cost reduction programmes widely instigated by corporates globally, meaning no new costs could be contemplated, no matter how valuable.

Lockdowns and travel restrictions meant almost no opportunity for live product demonstrations, a critical element in closing deals. Consequently, winning new business became virtually impossible.

Given these realities, our commercial thrust was to elevate existing and develop new channel partner relationships. Considerable success was achieved on both fronts in Australia and China, and new partners were also added in Thailand and India. Numerous joint business development programmes and product innovation ideas to take to specific clients were created and advanced.

Although little new revenue flowed from these efforts in 2020, they have primed the sales pipeline for hopefully significant new business wins in 2021.

The channel partnerships we have built are a valuable intangible asset. Our channel partners are generally established packaging or product marking equipment suppliers with large portfolios of major consumer goods products manufacturers. They allow us to maintain a low-cost sales base while accessing the volumes of major household goods producers when a company of YPB's size would typically struggle to gain access.

Quality channel partners multiply our effective sales force and allow us to substantially grow revenues at minimal marginal cost. The profit leverage to

incremental revenue growth created by this channel partner model is substantial.

### **Focussed verticals and geographies**

The Company's renew and refocus strategy of the past three years has seen a much tighter business development focus on specific industry verticals of:

- natural health and beauty;
- pharmaceuticals;
- dairy; and
- wine.

Legal cannabis was a promising target industry with high authenticity requirements but has been de-emphasised as our key partner proved unreliable and travel impeded our ability to expand in the US/Canadian markets.

Our geographic focus has been tightened to China, Australia and Southeast Asia.

In 2020, YPB China recorded the best sales result in its history. Revenues were up 28% which, although well short of internal targets, was a credible result given COVID-19 restrictions in China were, and remain, more persistent than understood ex-China.

Despite COVID-19, a range of channel partners and new end-customers were developed during the year with notable ones being:

- Tengfei Pigeon Foot Ring Co where PET footrings infused with YPB's forensic tracer were introduced to prevent bird theft and substitution in racing pigeons, a major industry in China.
- Suzhou-Haishun Packaging Material Co. Ltd whereby YPB's proven T2 tracer is being incorporated into an advanced foil application for a pharmaceutical customer in China to ensure supply chain security.
- Beijing Haihui Printing Co. Ltd which is integrating YPB's T2 tracer-scanner solution into anti-counterfeit labels for its customers.

A further element of the improved result in China has been the adoption of strictly methodical present and previous client account management protocols. This has

seen a clear improvement in repeat orders and built a more reliable recurring revenue base.

In Australia, order flows were interrupted and unpredictable due to COVID-19 impacts, particularly from customers with exposure to the travel-ban ravaged Daigou trade. Revenues in Australia were below plan.

Additionally, the impact of unprecedented tariffs imposed by China on the Australian wine industry has greatly affected progress the Company had made with clients in 2019 and 2020. We still explore opportunities with contracted and prospective customers in the Australian wine sector however the combined effects of Covid-19 and China trade issues have at least stalled progress for the Company in this sector for the time being.

Nevertheless, the important new customer Nature's Care, one of Australia's largest natural health and beauty brands, was added. Coverage began with 4 SKUs which has since expanded to 15 SKUs with an ultimate goal of 75 SKUs.

In addition, Nature One Dairy, signed toward the end of 2019, went live in 2020 and grew the product portfolio covered by Connect from an initial 4 SKUs to 25 SKUs.

Finally, the relationships with key existing channel partners were cemented and developed through the year with concrete plans to take to potential clients in 2021 created. New channel partner relationships were also developed with a number of key players which we are hopeful will bear fruit in 2021.

Channel partners were also added in Thailand and India during 2020, although we expect it will take time for any meaningful results to flow from those geographies as travel restrictions impede business development.

Overall, while our results fell short of target in 2020, I am certain that our channel partner strategy is a powerful, leveraged route to market that will pay off handsomely over coming years.

## **Operating financial results clearly improved**

YPB recorded a clearly improved operating financial result in FY2020 with net operating loss reducing 23% from \$6.1m in FY2019 to \$4.7m in FY2020

Three prime determinants shaped the result:

- A 45% or \$0.5m fall in revenues. This was primarily the closure of the Retail Anti-Theft (RAT) business during 2019 with part-period revenues in that year not repeated in 2020. Foregoing this revenue was a conscious choice to streamline and solely focus the business on high margin, in-house technologies;
- COVID-19 disruption of normal customer order flows and hindrance of new business development; and
- A 48% or \$1.8m fall in operating costs from continuous business improvement but supported by temporary COVID-19 emergency salary reductions in Q2 2020 and zero Directors' fees from April to year end.

The operating profit result also highlighted the benefit of the change in operating focus to solely in-house intellectual property products with gross margin rising from 82.8% in FY2019 to 93.7% in FY2020. Such high margins are key to the company's drive to profitability with each incremental revenue dollar being almost pure profit.

The improved trends reported in the accrual accounting results above were aligned with operating cashflows which saw 27% less operating cash consumed by the company in FY2020 over the prior year with:

- Cash receipts down 64% or \$1m in FY2020 on pcp but more than offset by;
- Cash payments falling 35% or \$2.1m in FY2020 on pcp.

In contrast to the above trends of clear improvement in operating results, the *statutory* result saw a 38% deterioration to a \$11.2m net loss. The statutory loss includes non-cash items and the Board, and I think it important to distinguish operating from statutory results to present shareholders a

clearer view of the company's true operating performance and trajectory.

The primary contributors to the large gap between operating and statutory results were *non-cash* accounting adjustments to reflect "fair value losses" from issuing equity to extinguish financial liabilities. These liabilities included the settlement of a short-term loan from me, compensation for two years of cash-saving salary sacrifice by YPB's Chief Financial Officer, and an advisory group being willing to take YPB equity to assist the company with cash conservation.

This issue was discussed in detail in the commentary accompanying our Appendix 4E ASX release of 26 February 2021. Suffice to reiterate here, the 'fair value loss' was required by accounting standards but academic. The practical reality was a better funded company with additional permanent capital issued at a price which was fair at the time the funding was provided. The accounting loss only arose due to the movement of the market price above the issue price of the new equity. Had the issue price and the market price been identical no loss would have been booked.

### **Dilution regrettable but unavoidable**

The Board greatly regrets the impact on shareholders of the poor stock price performance and consequent dilutive capital raisings that have occurred in the past two years.

Objectively, YPB's true value increased over 2020. The technical advances made have resulted in world leading products and MotifMicro will launch commercially in H1 2021 (as announced post balance date on 14 January 2021). Interest from strong commercial partners is the greatest it has ever been. But unfortunately, the progress made was not reflected in the stock price.

This led to new equity being issued at low prices with the consequent dilutionary impact. Nevertheless, the capital raises undertaken were the only funding available and superior to the imponderable alternative. The board very reluctantly issues new equity but is grateful for the strong support shown by new

shareholders in 2020 and welcome them to the register.

### **Outlook**

As I hope the foregoing demonstrates, 2020 laid solid foundations for much greater commercial progress and improved financial results in 2021.

Channel partner and end-customer relationships were significantly advanced and clear routes to market with powerful partners see us well placed to drive new business.

Our technical progress has created a product suite able to solve counterfeit and marketing problems for brands with low cost, effective product authentication and consumer engagement solutions. Our flagship, revolutionary product authentication solution MotifMicro will be in-market with its first client in H1 2021.

Costs are contained and tightly controlled and will remain so.

Together these factors support my optimism as to further significant improvement in financial results in 2021. That positivity, however, must be tempered by the reality that COVID-19 obstacles are still frustrating business development and order flows, and it is unclear when normality will resume.

Overall, the present business plan is for further significant financial improvement subject to unforecastable COVID-19 impacts.

Longer term, our whole team is intent on driving YPB to profitability and becoming a self-funding, notable shareholder wealth creator.

I am extremely grateful for the dedication and sacrifice of our whole team as they delivered valuable progress through the trials of the pandemic, and thank the Board for its support, insight and contribution.

I am optimistic we can drive the company ahead in 2021 and look forward to reporting progress to shareholders.



John Houston, Executive Chairman and CEO



## Directors' Report

The directors present their report and the financial statements of YPB Group Limited (the "Company") and its controlled entities (the "Consolidated Entity", the "Group") for the Company's financial year ended 31 December 2020.

### 1. Directors and Company Secretary

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

	<b>Date Appointed</b>	<b>Date Resigned</b>
<b>Executive Chairman</b>		
John Houston	31 July 2014	-
<b>Non-Executive Directors</b>		
Su (George) Su	31 July 2014	-
Gerard Eakin	4 March 2016	-
Philip Wade	16 May 2019	2 March 2021
<b>Company Secretary</b>		
Sebastian Andre	25 June 2019	-

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

### 2. Principal Activities

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

### 3. Review of Operations

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

### 4. Financial Results

The reported net loss increased 40.14% to \$11.19m. This result included an impairment of the patent licence rights of \$0.33m in 2020 (2019: \$2m), and the fair value loss from issuing equity to extinguish financial liabilities of \$4.8m (2019: fair value gain of \$0.26m). These liabilities included the settlement of a short-term loan from the Company's Executive Chairman, compensation for two years of cash-saving salary sacrifice by the Company's Chief Financial Officer, and an advisory group being willing to take the Company's equity to assist the company with cash conservation. The EBITDA loss of \$10.60m for 2020 was 41.5% higher than that of 2019. Net cash used in operating activities of \$3.4m in 2020 (2019: \$4.7m), which was 27% lower than 2019.

Please note that in the Appendix 4E of February 2021, the total loss for 2020 was previously reported as \$10.72m. The \$0.47m difference is due to a post-4E review regarding the impairment of the patent licence rights, and \$0.14m of interest payable to the convertible loan note holders.

Revenue decreased in 2020 to \$0.6m from 2019 at \$1.1m. However, a combination of a higher gross margin from changed product mix especially with anti-counterfeit allowed our gross profit contribution percentage to increase to 94% (2019: 83%).

Clearly, both the level of profitability and profit leverage from selling high intellectual property products is significant and will be a key driver of the company's push toward profitability.

2020 operating costs were 48% lower, an improvement of \$1.8m on 2019 and more than half that of 2017, due to the intense cost-out focus over 2019 and 2020. But carry-over costs from that time and further costs from final rebuild decisions in 2019 kept costs higher than ideal. 2020 will be the first period to fully benefit from the cuts with further cost control initiatives being considered.

The remaining intangible asset is the patent licence rights of \$5.58m which, represents the historical value of the MotifMicro acquisition less an accumulated impairment charge of \$2.158m, of which \$0.33m was recognised in 2020. This impairment in 2020 was driven by an independent valuation conducted by Nexia Brisbane Forensics Pty Ltd ('Nexia') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The independent valuation provided a valuation figure of \$5.58m based on a number of key assumptions that are further detailed in Note 18 to the financial statements. The impairment loss is driven mainly from the ongoing impact of COVID-19 that continues to present challenges with opportunities and realising the pipeline of MotifMicro and therefore management has decided to adopt a carrying value per the valuation report provided by Nexia which still reflects the intrinsic value of the licence rights. This loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

During 2020, a total of \$4,400,000 was raised via new equity placements to fund the ongoing operations of the company. The net assets of YPB were \$4,663,000 as at 31 December 2020 (2019: \$5,152,000). Cash at balance date was \$1,559,000 (2019: \$774,000).

## **5. Significant Changes in State of Affairs**

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

## **6. Future Developments, Prospects and Business Strategies**

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

## **7. Dividends Paid**

No dividends have been paid or have been recommended for payment in respect of the financial year ended 31 December 2020.

## **8. Events Subsequent to Balance Date**

The following events have occurred since 31 December 2020:

- On 24 February 2021, 1,729,007,903 of quoted options, valued at exercise price of \$0.005 per option, were issued to investors who participated in the 24 August 2020 and 21 October 2020 capital raises.
- On 1 March 2021, firm commitments from sophisticated, professional, and institutional investors were received to raise up to \$750,000. Under the placement, YPB will issue 250,000,000 fully paid ordinary shares at an issue price of \$0.003 per share and one free attaching option (exercisable at \$0.005 per Option on or behalf 23 February 2022) for each share issued under the placement.
- Subsequent to balance date, an administrative oversight was identified in relation to the convertible notes, however, noteholders entered into a Waiver Deed ("Deed"), which effectively waived any potential default under the convertible notes. An amount of \$136,260 was subsequently accrued for and adjusted in the loan balance payable (Note 20) to the current noteholders.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## **9. Information on Directors and Company Secretary**

**John Houston**

**Executive Chairman**

**Appointed 31 July 2014**

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

Other current public company directorships: Nil

**Su (George) Su**

**Non-Executive Director**

**Appointed 31 July 2014**

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

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

Other public company directorships held within the last 3 years: Carbon Energy Limited (ASX: CNX), which is delisted from ASX on 28 August 2019. No other current public company directorship held.

**Gerard Eakin**  
**Non-Executive Director**  
**Appointed 4 March 2016**

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

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

Other current public company directorships: Nil.

**Philip Wade**  
**Non-Executive Director**  
**Appointed 16 May 2019 (Resigned 2 March 2021)**

Mr Wade has over 15 years of experience creating and leading digital businesses and marketing teams across multiple geographies and industries to deliver improved customer engagement and business growth.

He has had a number of executive roles at Jetstar, Target, TJX and Unilever.

Other current public company directorships: Nil.

**Sebastian Andre**  
**Company Secretary**  
**Appointed 25 June 2019**

Sebastian Andre is a Chartered Secretary with over 10 years of experience in corporate advisory, governance and risk services. He has previously acted as an adviser at the ASX and has a thorough understanding of the ASX Listing Rules, specialising in providing advice to companies and their boards in respect to capital raisings, IPOs, backdoor listings, corporate compliance and governance matters.

Mr Andre holds qualifications in accounting, finance and corporate governance and is a member of the Governance Institute of Australia.

## 10. Meetings of Directors

During the financial year, 12 formal board meetings of directors were held. During the year the full Board dealt with all relevant matters and no separate meetings of either the Remuneration or Audit Committees of the Board were held. Attendance by each director during the year was as follows:

Director	Board Meetings	
	Number eligible to attend	Number attended
John Houston	12	12
Gerard Eakin	12	11
Su (George) Su	12	12
Philip Wade	12	12

## 11. Remuneration Report (Audited)

This section presents the nature and amount of remuneration for persons who were classified as Key Management Personnel (KMP) of the Group during the 2020 financial year.

### **Remuneration Policy**

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

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

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

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

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

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. There are no share or options schemes as part of directors' or executive remuneration.

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

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

### ***Performance Based Remuneration***

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

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

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

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

There were no KPIs set for the year being the twelve months ended 31 December 2020 and as a result no performance payments were paid or are payable.

Details of Remuneration for the Year Ended 31 December 2020

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

<i>In \$</i>	Short-term Benefits		Post-employment Superannuation benefits	Share-based payments	Total
	Monetary	Non-monetary		Shares	
<b>Executive Chairman</b>					
John Houston <sup>1</sup>	181,383	298,000	-	-	479,383
<b>Non-Executive Directors</b>					
Su (George) Su	-	-	-	5,000	5,000
Gerard Eakin	-	-	-	5,000	5,000
Philip Wade	-	-	-	146,000	146,000
<b>Executives</b>					
Adrian Tan (CFO) <sup>2</sup>	150,382	91,998	-	183,142	425,522
	<u>331,765</u>	<u>389,998</u>	<u>-</u>	<u>339,142</u>	<u>11,060,905</u>

1: A portion of the salary of the CEO of \$298,000 for the period January 2020 to December 2020 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash.

2: A portion of the salary of the CFO of \$91,998 for the period May 2020 to December 2020 has been accrued. The salary is expected to be settled by cash settlement or the issue of shares in lieu of cash.

Details of Remuneration for the Year Ended 31 December 2019

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

<i>In \$</i>	<b>Short-term Benefits Monetary</b>	<b>Benefits Non- monetary</b>	<b>Post- employment Superannuat- ion benefits</b>	<b>Share- based payments</b>	<b>Total</b>
<b>Executive Chairman</b>					
John Houston <sup>3</sup>	179,955	-	-	347,123	527,078
<b>Non-Executive Directors</b>					
Su (George) Su	10,000	-	-	15,000	25,000
Gerard Eakin	45,000	-	-	15,000	60,000
Philip Wade	40,000	-	-	22,000	62,000
<b>Executives</b>					
Adrian Tan (CFO) <sup>4</sup>	133,273	131,424	-	-	264,697
<b>Former</b>					
Anoosh Manzoori (Non-Executive Director) <sup>5</sup>	10,000	-	-	-	10,000
Paul Bisso (CTO) <sup>6</sup>	213,356	-	4,743	-	218,099
Gregory O'Shea (COO) <sup>7</sup>	45,962	-	-	-	45,962
	<u>677,546</u>	<u>131,424</u>	<u>4,743</u>	<u>399,123</u>	<u>1,212,836</u>

3: The issuance of performance rights in 2019 of \$347,123 was in lieu of salary for the period 11 April 2017 to 30 September 2019.

4: A portion of the salary of the CFO of \$131,424 for the period January 2019 to December 2019 was accrued in 2019. The salary was settled by the issue of shares in lieu of cash in 2020.

5: Resigned on 4 June 2019

6: Resigned on 2 August 2019

7: Resigned on 14 January 2019



**Additional disclosures relating to key management personnel**

*Shareholdings*

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

	<b>Balance at the start of the year</b>	<b>Received as part of Current Year remuneration</b>	<b>Received as part of Prior Year remuneration</b>	<b>Received as part of short- term loan facility settlement</b>	<b>Disposals/Other</b>	<b>Balance at the end of the year</b>
<i>Group KMP</i>						
John Houston	152,541,801	-	69,424,658	600,000,000	-	821,966,459
Su (George) Su	5,623,989	1,000,000	3,000,000	-	-	9,623,989
Gerard Eakin	3,928,571	1,000,000	3,000,000	-	-	7,928,571
Philip Wade	-	29,266,666	4,333,334	-	-	33,600,000
Adrian Tan	750,000	24,862,156	93,233,082	-	-	118,845,238
	<u>162,844,361</u>	<u>56,128,822</u>	<u>172,991,074</u>	<u>600,000,000</u>	<u>-</u>	<u>991,964,257</u>

*Options and performance rights*

There were no performance rights over ordinary shares in the Company that were granted as compensation to each key management person during the year ended 31 December 2020.

*Options and performance rights over equity instruments*

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

	<b>Held at 1 Jan-20</b>	<b>Granted</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Held at 31 Dec-20</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
<b>Options</b>							
John Houston	22,222,222	600,000,000	-	(22,222,222)	600,000,000	600,000,000	-
Su (George) Su	-	-	-	-	-	-	-
Gerard Eakin	1,000,000	-	-	(1,000,000)	-	-	-
Philip Wade	-	-	-	-	-	-	-
<b>Performance rights</b>							
John Houston	69,424,658	-	(69,424,658)	-	-	-	-
Su (George) Su	4,000,000	-	(4,000,000)	-	-	-	-
Gerard Eakin	4,000,000	-	(4,000,000)	-	-	-	-
Philip Wade	8,000,000	25,600,000	(25,600,000)	-	-	-	-
Adrian Tan	-	-	-	-	-	-	-

### **Employment Contracts of Directors and Senior Executives**

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

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

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

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

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

### **Other transactions with key management personnel**

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

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. See Note 28 to the financial statements for related parties disclosures.

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

## **12. Indemnification of Directors, Officers and Auditor**

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

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

## **13. Insurance Premiums**

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

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

## **14. Non-Audit Services**

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

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

## **15. Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 31 December 2020 will be included on page 22 of this Annual Report.

## **16. Proceedings on Behalf of Company**

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

## 17. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded off to the nearest \$1,000.

## 18. Total Options on Issue

At the date of this report, there are 1,793,007,903 options over unissued shares in YPB Group Ltd as set out below:

<b>Number</b>	<b>Exercise price</b>	<b>Expire date</b>
1,729,007,903	\$0.005	23 February 2022
16,000,000	\$0.35	12 December 2026
16,000,000	\$0.45	12 December 2026
16,000,000	\$0.55	12 December 2026
16,000,000	\$0.65	12 December 2026
<hr/> <u>1,793,007,903</u>		

Signed in accordance with a resolution of the Board of Directors

  
John Houston  
Executive Chairman and CEO

Dated this 30<sup>th</sup> day of March 2021

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020, there have been no contraventions of:

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

PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 MARCH 2021

# **Financial Report**

**31 December 2020**

**YPB Group Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Revenue	9	616	1,119
<b>Expenses</b>			
Production costs		(36)	(176)
Consulting fees		(706)	(1,760)
Depreciation and amortisation expense		(225)	(223)
Employee benefits expense		(2,064)	(2,399)
Finance costs		(367)	(394)
Rental expenses		(77)	(214)
Research and development		(355)	(319)
Marketing expense		(135)	(313)
Travelling expense		(65)	(277)
Share-based payments		(161)	(104)
Regulatory expenses		(96)	(180)
Professional fees		(417)	(355)
Other expenses		(791)	(701)
Exchange gain/(loss)		(1,148)	(64)
(Loss)/gain on extinguishment of financial liabilities via equity settlement		(4,828)	261
Impairment of goodwill and other intangible assets		(333)	(2,006)
<b>Loss before income tax</b>	10	<b>(11,188)</b>	<b>(8,105)</b>
Income tax (expense)/benefit	11	(5)	118
<b>Net loss after tax for the year attributable to the owners of YPB Group Ltd</b>		<b>(11,193)</b>	<b>(7,987)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		1,011	6
Other comprehensive income for the year, net of tax		1,011	6
<b>Total comprehensive income/(loss) for the year attributable to owners of YPB Group Ltd</b>		<b>(10,182)</b>	<b>(7,981)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share	33	(0.64)	(0.80)
Diluted earnings/(loss) per share	33	(0.64)	(0.80)

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



**YPB Group Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>\$'000</b>	<b>(Restated)</b>
			<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	1,559	774
Trade and other receivables	13	312	269
Other assets	14	385	115
Inventories	15	216	240
<b>Total current assets</b>		<b>2,472</b>	<b>1,398</b>
<b>Non-current assets</b>			
Plant and equipment	16	61	119
Right-of-use assets	17	78	234
Intangibles	18	5,580	6,500
<b>Total non-current assets</b>		<b>5,719</b>	<b>6,853</b>
<b>Total assets</b>		<b>8,191</b>	<b>8,251</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,862	1,898
Financial liabilities	20	1,598	1,462
Lease liabilities		68	141
<b>Total current liabilities</b>		<b>3,528</b>	<b>3,501</b>
<b>Non-current liabilities</b>			
Lease liabilities		-	75
<b>Total non-current liabilities</b>		<b>-</b>	<b>75</b>
<b>Total liabilities</b>		<b>3,528</b>	<b>3,576</b>
<b>Net assets</b>		<b>4,663</b>	<b>4,675</b>
<b>Equity</b>			
Issued capital	21	77,665	69,126
Reserves	22	4,981	2,499
Accumulated losses		(77,983)	(66,950)
<b>Total equity</b>		<b>4,663</b>	<b>4,675</b>

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

**YPB Group Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Issued options \$'000</b>	<b>Share-based payment reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2020	69,126	1,139	960	400	(66,950)	4,675
Reclassification of prior periods foreign exchange gain/(loss) relating to net investment entities <sup>1</sup>	-	791	-	-	(791)	-
Prior period adjustment <sup>2</sup>	-	-	-	-	(9)	(9)
<b>Adjusted balance at 1 January 2020</b>	<b>69,126</b>	<b>1,930</b>	<b>960</b>	<b>400</b>	<b>(67,750)</b>	<b>4,666</b>
Loss after income tax for the year	-	-	-	-	(11,193)	(11,193)
Other comprehensive income for the year, net of tax	-	1,011	-	-	-	1,011
Total comprehensive income/(loss) for the year	-	1,011	-	-	(11,193)	(10,182)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	7,978	-	-	-	-	7,978
Performance rights exercised during the year	561	-	-	(561)	-	-
Performance rights issued during the year	-	-	-	161	-	161
Options granted during the year	-	-	2,040	-	-	2,040
Options lapsed during the year	-	-	(960)	-	960	-
<b>Balance at 31 December 2020</b>	<b>77,665</b>	<b>2,941</b>	<b>2,040</b>	<b>-</b>	<b>(77,983)</b>	<b>4,663</b>

Note 1: This reclassification adjustment arose from a change in significant accounting policy to reclassify monetary items that are receivable from or payable to foreign operations as part of the Group's net investment in those foreign operations. Consequently, foreign exchange gain/(loss) are classified as Other Comprehensive Income in the Statement of Profit or Loss, and Foreign Currency Translation Reserve in the Statement of Changes in Equity.

Note 2: The prior period adjustment arose from YPB Limited ("YPB HK"), a wholly-owned subsidiary of the Consolidated Entity, resulting from the audit of its financial statements for periods 1 April 2019 to 31 March 2020 completed during 2020.

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

YPB Group Ltd  
Consolidated statement of changes in equity  
For the year ended 31 December 2020

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Issued options \$'000</b>	<b>Share- based payment reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2019	61,980	1,133	1,106	1,146	(58,707)	6,658
Adjustment on initial application of AASB 16, net of tax	-	-	-	-	9	9
Prior periods adjustment (Note 34)	-	-	-	-	(477)	(477)
<b>Adjusted balance at 1 January 2019</b>	<b>61,980</b>	<b>1,133</b>	<b>1,106</b>	<b>1,146</b>	<b>(59,175)</b>	<b>6,190</b>
Loss after income tax for the year	-	-	-	-	(7,987)	(7,987)
Other comprehensive income for the year, net of tax	-	6	-	-	-	6
Total comprehensive income/(loss) for the year	-	6	-	-	(7,987)	(7,981)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	5,950	-	-	-	-	5,950
Options lapsed during the year	-	-	(212)	-	212	-
Options granted during the year	-	-	66	-	-	66
Share-based payments	1,146	-	-	(746)	-	400
Conversion of convertible notes to equity	50	-	-	-	-	50
<b>Balance at 31 December 2019</b>	<b>69,126</b>	<b>1,139</b>	<b>960</b>	<b>400</b>	<b>(66,950)</b>	<b>4,675</b>

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

**YPB Group Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		548	1,523
Payments to suppliers and employees		(3,780)	(5,856)
Interest received		2	3
Finance costs		(219)	(370)
Net cash used in operating activities	31	(3,449)	(4,00)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(24)	(14)
Funds on deposit in escrow		(130)	-
Net cash used in investing activities		(154)	(14)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of costs)		3,949	5,389
Proceeds from borrowings		1,200	1,000
Repayment of borrowings		(600)	(1,207)
Payment of lease liabilities		(148)	(162)
Net cash from financing activities		4,401	5,020
<b>Net increase in cash and cash equivalents</b>		<b>798</b>	<b>306</b>
Cash and cash equivalents at the beginning of the financial year		774	487
Effect of movements in exchange rates on cash held		(13)	(19)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12</b>	<b>1,559</b>	<b>774</b>

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

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**1. Reporting entity**

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

The Company's registered office is at Suite 1, 295 Rokeby Road, Subiaco, WA 6008. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The separate financial statements of the parent entity, YPB Group Limited, have not been presented within the financial report as permitted by Corporations Act 2001. Parent company financial information is disclosed in Note 29.

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

**2. Basis of preparation**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 30 March 2021.

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

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

**i. Going concern basis of accounting**

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

The Group incurred an operating loss after income tax of \$11,193,000 and had a deficiency of operating cash flows of \$3,449,000 for the year ended 31 December 2020. As at 31 December 2020, the Group has cash and cash equivalents of \$1,559,000 and a deficiency in net current assets of \$11,056,000.

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

- Confidence in achieving the forecasted sales growth for 2021 based upon the roadmap to develop and commercialise the core YPB products, and continuing to grow the opportunity pipeline in key industries and sectors and ultimately convert into revenue;
- The Group is continuing to take initiatives which aim to reduce operating costs and focus on value-added activities; and
- Reliance on further capital raising activities of which \$750,000 was received from the exercise of unquoted options and a further \$750,000 from a capital raise have been received subsequent to year-end, or outlined in Note 32.

On this basis, the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

### **3. Functional and presentational currency**

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

### **4. Rounding of amounts**

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand, unless otherwise stated.

### **5. Use of judgements and estimates**

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

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

#### **Judgements**

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

- Note 18 Intangibles
- Note 22 Reserves – Share-based payment

## **6. Significant accounting policies**

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

Certain comparative balances in the statement of changes in equity and statement of financial position have been re-stated, as a result of a change in accounting policy (see Note 7).

### **A. Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent YPB Group Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 30.

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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

### **B. Revenue and other income**

The Group considers the following for revenue recognition:

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

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

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

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

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

- Digital engagement platform;
- Covert forensic products;
- Forensic laboratory and Security consulting services; and
- Brand protection labelling solutions.

*Digital engagement platform*

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

*Covert forensic products*

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

*Forensic laboratory and Security consulting services*

The Group provides forensic strategies and solutions that allow brands to implement, monitor and manage highly advanced anti-counterfeiting programs. Services can be contracted as once off or over a contract duration ranging from three months to three years. During the term of the contract, the Group stands ready to provide the consulting services to the brands, with revenue recognised on a straight-line basis over the contract term.



**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

*Brand protection labelling solutions*

The Group purchases and sells brand protection labelling products. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer.

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

Interest revenue is recognised using the effective interest method.

**C. Foreign currency transactions and balances**

**i. Functional and presentation currency**

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

**ii. Transactions and balances**

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge and except where net investment policy applies (see Note 7). Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise, the exchange difference is recognised in profit or loss.

**iii. Group companies**

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

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

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

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Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars in which the settlement of the monetary items is neither planned nor likely to occur in the foreseeable future are included as a net investment in the foreign operations. Refer to Note 7 *Changes in significant accounting policies* for details.

**D. Employee benefits**

**i. Short -term employee benefits**

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

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

**ii. Share-based payment arrangements**

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**E. Finance income and finance costs**

The Group's finance income and finance costs include:

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

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

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

## **F. Income tax**

The income tax expense/(income) for the period comprises current income tax expense/(income) and deferred tax expense/(income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

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

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

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

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

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

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

## **G. Tax consolidation**

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

## **H. Inventories**

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

## **I. Plant and equipment**

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

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

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

### **i. Depreciation**

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

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

- Plant and equipment 10% - 33%

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

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

## **J. Intangible assets and goodwill**

### **ii. Recognition and measurement**

<b>Goodwill</b>	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
<b>Research and development</b>	Expenditure on research activities is recognised in profit or loss as incurred.  Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
<b>Intellectual property and patent license rights</b>	Intellectual property and patent license rights that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

### **iii. Subsequent expenditure**

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

#### **iv. Amortisation**

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

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

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

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

#### **K. Financial instruments**

##### **i. Initial Recognition and measurement**

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

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

##### **ii. Classification and subsequent measurement**

###### ***Financial assets***

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

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

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

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

***Financial liabilities – Classification, subsequent measurement and gains and losses***

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

**iii. Derecognition**

***Financial assets***

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

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

***Financial liabilities***

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

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

**iv. Offsetting**

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

**L. Share Capital**

**i. Ordinary shares**

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

## **M. Compound financial instruments**

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

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

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

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

## **N. Impairment**

### **i. Non-derivative financial assets**

#### ***Financial instruments and contract assets***

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

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

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

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

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

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

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



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

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

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

**Measurement of ECLs**

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

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

**Credit-impaired financial assets**

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

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

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

**Presentation of allowance for ECL in the statement of financial position**

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

**Write-off**

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

**ii. Non-financial assets**

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

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

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

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

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

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

**O. Provisions**

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

**P. Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the economic entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The economic entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Q. Lease liability**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the economic entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**R. Trade receivables**

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

**S. Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **7. Changes in significant accounting policies**

During the year, the Group changed the accounting policy to reclassify monetary items that are receivable from or payable to a foreign operation as net investment in that foreign operation as the settlements for those monetary items are neither planned nor likely to occur in the foreseeable future. Such monetary items may include long-term receivables or loans.

They do not include trade receivables or trade payables.

As a result, exchange differences arising from monetary items that forms part of the Group's net investment in foreign operations are recognised as foreign currency translation reserve in equity and other comprehensive income in the statement of profit or loss.

Consequently, \$791,000 has been reclassified from retained earnings balance into foreign currency translation reserve balance as at 1 January 2020.

Other than the above, there is no change to the accounting policies of the Group for period ended 31 December 2020.

## **8. Operating segments**

### ***Identification of reportable operating segments***

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

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

### ***Types of products and services***

For the year ended 31 December 2020, management considers the company to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represented by one business segment apart from a minor specialised anti-counterfeit printing operation.

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

- Digital engagement platform that provides brand engagement with end consumers to promote product authenticity;
- Covert forensic products which are invisible particles ('tracers') fused into a product or packaging during or after the manufacturing process and are detectable using YPB's proprietary scanner;
- Forensic laboratory services for the examination of counterfeit products;
- Security consulting services provided to governments, corporations and intellectual property owners for the deterrence of counterfeiting, grey markets, product diversions and fraud; and
- Brand protection labelling solutions effective for sellers, brands and product owners.

*(a) Geographical information*

**2020**

<i>In \$'000</i>	Australia	People's Republic of China	Thailand	United States of America	Total
External revenue	201	328	45	-	574
Interest income	2	7	-	-	9
Other income	33	-	-	-	33
Total revenue	<u>236</u>	<u>335</u>	<u>45</u>	<u>-</u>	<u>616</u>

**2019**

External revenue	279	257	284	206	1,026
Interest income	6	-	-	-	6
Other income	-	87	-	-	87
Total revenue	<u>285</u>	<u>344</u>	<u>284</u>	<u>206</u>	<u>1,119</u>

*(b) Assets*

**2020**

<i>In \$'000</i>	<b>Reportable segments</b>				Total
	Australia	People's Republic of China	Thailand	United States of America	
Current assets	1,808	345	318	1	2,472
Non-current assets	-	7	118	5,594	5,719
Total assets	<u>1,808</u>	<u>352</u>	<u>436</u>	<u>5,595</u>	<u>8,191</u>

**2019**

Current assets	808	392	196	2	1,398
Non-current assets	1	8	318	6,526	6,853
Total assets	<u>809</u>	<u>400</u>	<u>514</u>	<u>6,528</u>	<u>8,251</u>

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**9. Revenue**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue</i>		
Sale of goods and services		
- Digital engagement platform	210	293
- Covert forensic products	359	338
- Forensic laboratory and Security consulting services	-	242
- Brand protection labelling solutions	3	11
- Retail anti-theft	2	145
	574	1,029
<i>Other revenue</i>		
Interest	2	3
Other income	40	87
	616	1,119

During the year, the Group received a total of \$40,000 (2019: Nil) as subsidies from the government of local jurisdictions relating to the various COVID-19 financial assistance packages such as the Cash Flow Boosts 1 and 2 in Australia, and rental and social security insurance subsidies in China.

**10. Loss for the period**

The loss for the period includes the following expenses:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Finance costs	367	394
Research and development costs	355	319
Depreciation and amortisation	225	223
Inventories written off	13	-
Impairment of goodwill and other intangible assets	333	2,006
Bad debts written off	33	-
Rental expense on operating leases – minimum lease payments	77	214
Loss/(gain) on extinguishment of financial liabilities via equity settlement	4,828	(261)
	6,231	2,895

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**11. Income tax benefit**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax	(11,188)	(8,105)
Tax at the statutory tax rate 27.5%	(3,077)	(2,229)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
• Offshore expenses not deductible	143	127
• Non-allowable expenses	478	627
• Share options expensed during the year	-	18
• Share-based payments expensed during the year	44	10
• Tax losses not recognised	2,319	1,488
	(93)	41
Difference in overseas tax rates	88	(41)
Research and development tax incentive	-	(118)
Income tax expense/(benefit)	5	(118)
 <i>Deferred tax assets have not been recognised in respect of the following items:</i>		
• Deductible temporary differences	148	150
• Tax losses	11,234	8,915
	11,382	9,065

**12. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on hand	2	2
Cash at bank	1,545	772
Undeposited funds	12	-
	1,559	774

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**13. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	137	128
Less: Allowance for doubtful debts	(53)	(56)
	<u>84</u>	<u>72</u>
GST/VAT receivables	205	147
Other receivables	23	50
	<u>312</u>	<u>269</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2020 is determined as follows; the expected credit losses incorporating forward-looking information.

	<b>Current</b>	<b>More</b>	<b>More</b>	<b>More than</b>	<b>Total</b>
	<b>\$'000</b>	<b>than 30</b>	<b>than 60</b>	<b>90 days</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>days past</b>	<b>days past</b>	<b>past due</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>due</b>	<b>due</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2020</b>					
Expected loss rate	0%	0%	100%	59.1%	
Gross carrying amount	46	2	1	88	137
Loss allowing provision	-	-	(1)	(52)	(53)
<b>2019</b>					
Expected loss rate	1.4%	5%	24.5%	92.9%	
Gross carrying amount	60	5	7	56	128
Loss allowing provision	(1)	(1)	(2)	(52)	(56)



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**14. Other assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Escrow account – (i)	130	-
Rental deposits	58	80
Prepaid rent	4	16
Prepayments	192	14
Other receivables	1	5
	<u>385</u>	<u>115</u>

(i): On 6 October 2020, the Group deposited \$130,000 (2019: Nil) into an escrow account for the purpose of a commercial dispute against an external party. The monies are placed in an interest-bearing account for a period of six months from the date of deposit.

**15. Inventories**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Finished goods – at cost	218	312
Less: Allowance for slow-moving inventories	(2)	(72)
	<u>216</u>	<u>240</u>

During the year, the Group disposed of inventories amounting to \$72,000 related to the retail anti-theft business (2019: Nil) due to closure of the retail anti-theft operations. This was fully provided for in 2019.

**16. Plant and equipment**

<b>Consolidated - 2020</b>	<b>\$'000</b>
At cost	554
Accumulated depreciation	(493)
	<u>61</u>
<b>Consolidated - 2019</b>	
At cost	570
Accumulated depreciation	(451)
	<u>119</u>

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*Reconciliations*

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

<b>Consolidated</b>	<b>\$'000</b>
Balance at 1 January 2019	184
Additions	14
Disposals	-
Depreciation	(76)
Effects of movements in exchange rates	(3)
Balance at 31 December 2019	<u>119</u>
Balance at 1 January 2020	119
Additions	27
Disposals	-
Depreciation	(81)
Effect of movement in exchange rates	(4)
Balance at 31 December 2020	<u>61</u>

**17. Right-of-use assets**

<b>Consolidated - 2020</b>	<b>\$'000</b>
At cost	381
Accumulated depreciation	(303)
	<u>78</u>
<b>Consolidated - 2019</b>	
At cost	381
Accumulated depreciation	(147)
	<u>234</u>

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*Reconciliations*

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

<b>Consolidated</b>	<b>\$'000</b>
Balance at 1 January 2019	-
Recognition of right-of-use asset on initial adoption of AASB 16	381
Adjusted balance at 1 January 2019	<u>381</u>
Additions	-
Disposals	-
Depreciation	(147)
Effects of movements in exchange rates	-
Balance at 31 December 2019	<u><u>234</u></u>
Balance at 1 January 2020	234
Additions	-
Disposals	-
Depreciation	(144)
Effect of movement in exchange rates	(12)
Balance at 31 December 2020	<u><u>78</u></u>

**18. Intangibles**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill – at cost	3,089	3,089
Less: Accumulated impairment losses	(3,089)	(3,089)
	<u>-</u>	<u>-</u>
Intellectual property – at cost	16,250	16,250
Less: Accumulated amortisation	(4,942)	(4,942)
Less: Accumulated impairment losses	(11,308)	(11,308)
	<u>-</u>	<u>-</u>
Customer relationship – at cost	206	206
Less: Accumulated amortisation	(28)	(28)
Less: Accumulated impairment losses	(178)	(178)
	<u>-</u>	<u>-</u>
Patent licence rights – at cost	7,919	8,506
Less: Accumulated impairment losses	(2,339)	(2,006)
	<u><u>5,580</u></u>	<u><u>6,500</u></u>

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*Reconciliations*

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

<b>Consolidated</b>	<b>Patent licence rights \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2019	8,443	8,443
Additions	-	-
Effect of movement in exchange rates	63	63
Impairment loss	(2,006)	(2,006)
Balance at 31 December 2019	<u>6,500</u>	<u>6,500</u>
Balance at 1 January 2020	6,500	6,500
Additions	-	-
Effect of movement in exchange rates	(587)	(587)
Impairment loss	(333)	(333)
Balance at 31 December 2020	<u>5,580</u>	<u>5,580</u>

Intangible assets, other than goodwill, have finite useful lives. The current period amortisation charge for intangible assets is included under the depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

*Patent Licence Rights*

Effective in December 2017, the Group acquired MotifMicro's patented licence rights to develop and commercialise its secure smartphone readable authentication technology. The non-replicable invisible micro-barcode technology works whereby the smartphone becomes the authentication device for uncopiable, invisible and indestructible physical marking technology.

In February 2018, a specific milestone under the agreement was successfully achieved with MotifMicro under which an additional \$851,000 was payable to the vendors. The corresponding payable was settled via the issue of ordinary shares in October 2018.

As the technology was still in the development phase and not commercially available for use during the year ended 31 December 2020, the patent licence rights have not been amortised. The progress of the MotifMicro development in 2020 was advanced through a number of technological achievements. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

An independent valuation was conducted by Nexia Brisbane Forensics Pty Ltd ('Nexia') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The independent valuation provided a valuation of \$5,580,000.

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Notwithstanding, management's view that there is a basis for their preferred valuation the opportunity pipeline of MotifMicro has slowed down following the recent events from the global outbreak of COVID-19 on the business. Therefore, management has decided to adopt the carrying value provided by Nexia of \$5,580,000 which still reflects the intrinsic value of the licence rights. As a result, an impairment loss expense of \$333,000 has been recognised to write-down the patent licence rights to \$5,580,000. This loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

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

- Revenue growth from conversion of sales pipeline of \$324,000 for FY2021 with an annual long-term growth rate of 12% until 2026 that follows the industry growth rate with a long-term annual growth rate of 2% thereafter;
- EBITDA loss of \$492,000 to be achieved by the end of FY2021;1
- Discounted cash flow modelling to 2033, with no terminal value. .
- A WACC of 20.1% (post-tax) assuming a long-term debt/equity ratio of 30%; and
- The group securing sufficient funding in future process to continue as a going concern.

**19. Trade and other payables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	972	781
Other payables and accruals	892	1,117
	1,864	1,898

**20. Financial liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible notes (Sophisticated investors)	1,598	1,462
	1,598	1,462

These convertible notes will accrue interest on their face value daily at an interest rate of 10% per annum, and the noteholders may elect by issuing a conversion notice to the Group to convert the note on or prior to, the maturity date of 18 November 2021.

During the Term of the notes, an administrative oversight occurred, however noteholders entered into a Waiver Deed ("Deed") which effectively waived any potential default under the convertible notes. An amount of \$136,260 is accrued and included in the loan balance payable to the current noteholders.

As at 31 December 2020, \$148,260 (2019: \$12,000) of convertible loan notes interest was accrued.

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During the year, the Consolidated Entity obtained a total of \$1,200,000 (2019: Nil) of short-term borrowings from a related party to the Consolidated Entity, repayable within 180 days from the commencement date, and at an interest of 8% per annum (or part thereof).

\$600,000 of the short-term borrowings was to be repaid via issuance of 600,000,000 shares at \$0.001 per share, and 600,000,000 unquoted options at \$0.002 per option. The remaining \$600,000 of short-term borrowing was to be repaid in cash.

On 31 July 2020, the first short-term borrowing of \$600,000 was repaid by issue of shares. The fair value of the shares at the time of payment was \$3,000,000, and the fair value of the unquoted options was valued at \$1,494,000 using the Binomial Tree Method. This resulted in a net loss on settlement of \$4,440,000 which is included in loss on extinguishment of financial liabilities via equity settlement in the consolidated statement of profit or loss.

The second short-term borrowing of \$600,000 was repaid on 30 October 2020 in cash along with the accrued interest. No short-term borrowing is outstanding as at 31 December 2020 (2019: Nil).

Total interest cost of the two short-term borrowings paid during the year was \$37,000 (2019: Nil).

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**21. Equity – Issued Capital**

	<b>2020</b>	<b>Consolidated</b>		
	<b>Shares</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares – fully paid	4,228,358,979	1,694,369,386	77,665	69,126

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$'000</b>
Balance	1 January 2019	799,277,924	61,980
Re-classification of share-based payments for shares issued in prior periods		-	1,146
Conversion of Performance Rights	11 January 2019	2,100,000	38
Share placement	20 February 2019	110,000,000	1,100
Conversion of convertible notes	1 March 2019	5,555,555	50
Share placement	6 August 2019	224,105,083	1,600
Issuance as payment to service provider	6 August 2019	8,800,000	88
	27 September 2019		
Share placement	10 December 2019	357,142,857	2,500
Share placement	10 December 2019	100,000,000	600
Issuance as payment to service provider	10 December 2019	87,387,967	436
Less: Transaction costs on shares issued, net of tax		-	(412)
Balance	31 December 2019	<u>1,694,369,386</u>	<u>69,126</u>
Balance	1 January 2020	1,694,369,386	69,126
Performance rights exercised and converted	22 June 2020	12,000,000	60
Share placements	13 July 2020	75,000,000	150
Issued to extinguish liabilities	13 July 2020	45,000,000	180
Performance rights exercised and converted	14 July 2020	69,424,658	347
Issued for repayment of loan	31 July 2020	600,000,000	3,000
Issued to extinguish liabilities	31 July 2020	170,028,571	850
Share placements	27 August 2020	260,000,000	650
Share placements	21 October 2020	1,272,084,848	3,600
Performance rights exercised and converted	5 November 2020	4,000,000	20
Issued under share-based payments	5 November 2020	26,451,516	133
Less: Transaction costs on share issued, net of tax			(451)
Balance	31 December 2020	<u>4,228,358,979</u>	<u>77,665</u>

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Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

**22. Reserves**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Issued options reserve	(a)	2,040	960
Share-based payment reserve	(b)	-	400
Foreign currency translation reserve	(c)	2,941	1,139
		4,981	2,499

(a) Issued options reserve

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

<b>Details</b>	<b>Date</b>	<b>Options</b>	<b>\$'000</b>
Balance	1 January 2019	202,278,473	1,106
Options lapsed	28 February 2019	(6,000,000)	(199)
Options issued	1 March 2019	5,555,555	6
Options lapsed	24 March 2019	(346,000)	(1)
Options lapsed	17 July 2019	(3,800,000)	(13)
Options issued	6 August 2019	110,000,000	60
Options issued	10 December 2019	35,714,285	1
Balance	31 December 2019	343,402,313	960
Balance	1 January 2020	343,402,313	960
Options lapsed	4 March 2020	(1,000,000)	(60)
Options lapsed	19 May 2020	(272,846,758)	(893)
Options issued	31 July 2020	600,000,000	2,040
Options lapsed	1 September 2020	(5,555,555)	(7)
Balance		664,000,000	2,040



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

Volatility	161.7%
Risk-free rate	0.22%
Weighted average terms (years)	0.575
Weighted average remaining life at 31 December 2020 (years)	0.085

Details of options issued during the year are as follows:

<b>Details</b>	<b>Issue date</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Value per option</b>
Options issued	31 July 2020	\$0.0020	1 February 2021	\$0.00340

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

(b) Share-based payment reserve

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

<b>Details</b>	<b>Date</b>	<b>\$'000</b>
Balance	1 January 2019	1,146
Reclassification of share-based payments for shares issued in prior periods		(1,146)
Performance Rights issued under share-based payments	18 December 2019	400
Balance	31 December 2019	400
Balance	1 January 2020	400
Performance Rights exercised and converted to ordinary shares	22 June 2020	(60)
Performance rights lapsed	5 Feb 2020	(1)
Performance Rights issued under share-based payments	January to June 2020	29
Performance Rights exercised and converted to ordinary shares	14 July 2020	(348)
Performance Rights issued under share-based payments	July to December 2020	133
Performance Rights exercised and converted to ordinary shares	5 December 2020	(153)
Balance	31 December 2020	-

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(c) Foreign currency translation reserve

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

During the year, the Group changed the accounting policy for monetary items receivable from or payable to foreign operations whereby settlements to these receivables and payables are not planned nor likely to occur in the foreseeable future as net investment in foreign operations.

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

Refer to Note 7 *Changes in significant accounting policies* for details.

### **23. Capital management**

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

The Group's debt and capital includes ordinary share capital, convertible loan notes and financial liabilities, supported by financial assets.

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

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Total borrowings	20	1,598	1,462
Less: Cash and cash equivalents	12	(1,559)	(774)
Net (cash) / debt		39	688
Total equity		4,663	4,675
Gearing ratio		0.84%	14.72%

## **24. Financial instruments**

### **Financial risk management**

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

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

#### **i. Risk Management framework**

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

#### **ii. Credit risk**

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

##### *Trade receivables*

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

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

At 31 December 2020, the exposure to credit risk for trade receivables by geographic region was as follows:

	<b>Carrying amount</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	38	6
People's Republic of China	49	41
Thailand	-	27
United States of America	50	54
	137	128

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

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*Cash and cash equivalents*

As at 31 December 2020, the Group held cash and cash equivalents of \$1,559,000 (2019: \$774,000). The cash and cash equivalents are held with bank, which are AA1- to AA+, based on S&P ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**iii. Liquidity risk**

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

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

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

	<b>Carrying amount</b>	<b>1 year or less</b>	<b>Between 1 and 5 years</b>
<b>Consolidated - 2020</b>			
Trade and other payables	1,862	1,862	-
Convertible loan notes	1,598	1,598	-
Lease liabilities	68	68	-
	<u>3,528</u>	<u>3,528</u>	<u>-</u>
<b>Consolidated - 2019</b>			
Trade and other payables	1,898	1,898	-
Convertible loan notes	1,462	12	1,450
Lease liabilities	216	148	68
	<u>3,576</u>	<u>2,058</u>	<u>1,518</u>

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

**iv. Market risk**

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

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*Currency risk*

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

*Exposure to currency risk*

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

<b>Consolidated - 2020</b>	<b>RMB \$'000</b>	<b>THB \$'000</b>	<b>USD \$'000</b>
Cash and cash equivalents	282	4,179	1
Trade and other receivables	247	-	38
Trade and other payables	(369)	(1,689)	(31)
	<u>160</u>	<u>2,490</u>	<u>8</u>
<b>Consolidated - 2019</b>			
Cash and cash equivalents	357	537	2
Trade and other receivables	400	4,935	-
Trade and other payables	(287)	(1,836)	(6)
	<u>470</u>	<u>3,636</u>	<u>(4)</u>

*Sensitivity Analysis*

Based on the financial instruments held at 31 December 2020, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been \$1,000 lower/higher (2019: \$1,000 lower/higher).

Had the Australian dollar weakened/strengthened by 10% against the Chinese Yuan with all other variables held constant, the Group's post-tax profit for the period would have been \$3,000 higher/lower (2019: \$10,000 higher/lower).

Had the Australian dollar weakened/strengthened by 10% against the Thai Baht with all other variables held constant, the Group's post-tax profit for the period would have been \$11,000 higher/lower (2019: \$1616,000 higher/lower).

**v. Fair value of financial instruments**

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

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**25. Key management personnel disclosures**

**Directors**

The following persons were directors of YPB Group Limited during the financial year ended 31 December 2020:

John Houston (Executive Chairman)  
Su (George) Su  
Gerard Eakin  
Philip Wade (resigned 2 March 2021)

**Other key management personnel**

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year ended 31 December 2020:

Adrian Tan (Chief Financial Officer)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the years ended 31 December 2020 and 2019.

**Compensation**

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	722	807
Post-employment benefits	-	5
Share-based payments	339	400
	<u>1,061</u>	<u>1,212</u>

*Short-term employee benefits*

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

*Share-based payments*

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

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the years ended 31 December 2020 and 2019.

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**26. Remuneration of auditor**

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
• Audit or review of the financial report	66,000	83,500
<i>Component auditors</i>		
• Audit or review of the financial report	17,595	19,035
Other service – non-audit	69,557	-

**27. Operating leases**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	25	44
	25	44

**28. Related parties transactions**

***Parent entity***

YPB Group Ltd is the parent entity.

***Subsidiaries***

Interests in subsidiaries are set out in Note 30.

***Key management personnel transactions***

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

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

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

<b>Transaction</b>	<b>Transaction values for the year ended 31 December</b>		<b>Balance outstanding as at 31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Manifest Capital Management Pty Ltd (related entity of Gerard Eakin)</i>				
Investor relations	-	35	-	35
<hr/>				
<i>J F Houston Holdings Pty Ltd (related entity of John Houston)</i>				
Short-term borrowings to YPB Group Ltd	1,200	-	-	-
Interest on short-term borrowings	37	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,237	-	-	-

During the year, the Consolidated Entity obtained two \$600,000 short-term borrowings (total of \$1,200,000) from J F Houston Holdings Pty Ltd, repayable within 180 days from the commencement date, and at an interest of 8% per annum (or part thereof).

The first \$600,000 of short-term borrowing was repaid on 31 July 2020 by issuance of 600,000,000 shares at \$0.001 per share, and issuance of 600,000,000 unquoted options at \$0.002 per option.

Options issued as part of the short-term borrowing repayment arrangement were valued based on the following assumptions:

Volatility	161.7%
Risk-free rate	0.22%
Weighted average terms (years)	0.575
Weighted average remaining life at 31 December 2020 (in years)	0.085

The second short-term borrowing of \$600,000 was repaid on 30 October 2020 in cash, along with the accrued interests of \$37,000 for the two short-term borrowings.



**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

*Other related party and KMP transactions*

Extinguishment of liabilities through the issue of equity instruments

As outlined in Note 21, during the year the Group elected to extinguish liabilities held, including payables to key management personnel via the issue of equity instruments. The following issues related to key management personnel and where relevant, were approved in a general meeting of shareholders:

- 118,095,238 shares were issued to Adrian Tan in lieu of wages and bonus, as at 31 July 2020. The shares were issued at \$0.005 per share.
- 25,600,000 shares were issued to Philip Wage in lieu of payment for accrued services as at 31 July 2020. The shares were issued at \$0.005 per share.

600,000,000 shares were issued to in lieu of payment of a \$600,000 related party debt as at 31 July 2020. The shares were issued at \$0.005 per share.

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**29. Parent entity information**

As at, and throughout, the financial year ended 31 December 2020, the parent entity of the Group was YPB Group Limited.

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Result of the parent entity</b>		
Loss for the year	(31,542)	(4,988)
Total comprehensive income for the period	<u>(31,542)</u>	<u>(4,988)</u>
<b>Financial position of the parent entity at year end</b>		
Current assets	1,798	791
Non-current assets	10,415	32,547
Total assets	<u>12,213</u>	<u>33,338</u>
Current liabilities	3,023	1,188
Non-current liabilities	-	1,462
Total liabilities	<u>3,023</u>	<u>2,650</u>
<b>Net assets</b>	<b>9,190</b>	<b>30,688</b>
Total equity of the parent entity comprising of:		
Issued capital	82,701	74,163
Reserves	2,040	11,360
Accumulated losses	(75,551)	(44,835)
<b>Total equity</b>	<b><u>9,190</u></b>	<b><u>30,688</u></b>

**Parent entity guarantees in respect of the debts of its subsidiaries**

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

**Parent entity contingent liabilities**

There were no contingent liabilities as at 31 December 2020 (2019: Nil).

**Contractual commitments**

There were no contractual commitments as at 31 December 2020 which is related to the parent entity (2019: Nil).

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**30. Interest in subsidiaries**

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

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2020</b>	<b>2019</b>
		<b>%</b>	<b>%</b>
YPB Limited (HK)	Hong Kong	100	100
YPB Technology (Beijing) Limited	People's Republic of China	100	100
Product ID & Quality Systems (Beijing) Ltd	People's Republic of China	100	100
YPB Group (USA) Inc	USA	100	100
YPB Intellectual Product Protection Inc	USA	100	100
YPB Group Co., Ltd	Thailand	100	100
YPB Group International Co., Ltd	Thailand	100	100
nTouch Agency Pty Ltd	Australia	100	100
nTouch Pty Ltd	Australia	100	100
nTouch IP Pty Ltd	Australia	100	100
YPB Product Development Pty Ltd	Australia	100	100

During the year, the Consolidated Entity restructured the legal entity organisation structure, and the following subsidiaries were deregistered as a result:

<b>Name</b>	<b>Date of Deregistration</b>	<b>Principal Place of Business / Country of Incorporation</b>	<b>Ownership Interest</b>	
			<b>2020</b>	<b>2019</b>
			<b>%</b>	<b>%</b>
Brand Reporter Pty Ltd	17 September 2020	Australia	-	100
nTouch Holdings Pty Ltd	17 September 2020	Australia	-	100
Wall Mall Pty Ltd	17 September 2020	Australia	-	100
YPB Print Solutions Inc.	29 December 2020	USA	-	100

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax for the year	(11,193)	(7,987)
Adjustments for:		
Foreign exchange differences	1,055	(58)
Depreciation and amortisation expense	225	223
Impairment of goodwill & other intangible assets	333	2,006
Options expense	-	67
Share-based payments	161	38
Finance costs	148	25
Equity-settled transactions	285	1,111
Net loss on settlement of debts	4,828	(261)
Provision for slow-moving stocks	-	72
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade and other receivables	(43)	342
(Increase)/decrease in other assets	(140)	(25)
Decrease/(increase) in inventories	24	42
(Decrease)/increase in deferred revenue	-	(144)
(Decrease)/increase in trade and other payables	868	(151)
Net cash used in operating activities	<u>(3,449)</u>	<u>(4,719)</u>

**32. Subsequent events**

The following events have occurred since 31 December 2020:

- On 24 February 2021, 1,729,007,903 of quoted options, valued at exercise price of \$0.005 per option, were issued to investors who participated in the 24 August 2020 and 21 October 2020 capital raises.
- On 1 March 2021, firm commitments from sophisticated, professional, and institutional investors were received to raise up to \$750,000. Under the placement, YPB will issue 250,000,000 fully paid ordinary shares at an issue price of \$0.003 per share and one free attaching option (exercisable at \$0.005 per Option on or behalf 23 February 2022) for each share issued under the placement.
- Subsequent to balance date, an administrative oversight was identified in relation to the convertible notes, however, noteholders entered into a Waiver Deed ("Deed"), which effectively waived any potential default under the convertible notes. An amount of \$136,260 was subsequently accrued for and adjusted in the loan balance payable (Note 20) to the current noteholders.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**YPB Group Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**33. Earnings per share**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of YPB Group Limited	(11,193)	(7,987)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic/diluted earnings per share	1,755,907,764	998,465,494
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.64)	(0.80)

There are 664,000,000 in share options issued but not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are antidilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 2,419,907,764.

**34. Prior Period Restatement**

During the year, management obtained the audit reports and adjustments resulting from statutory audits performed for YPB Limited ("YPB HK"), a wholly-owned subsidiary of the Group, for the years ended between 2015 and 2019. Total errors of \$447,000 were identified during this period, as a result of misstatements identified by the statutory auditor. As a result, opening retained earnings as at 1 January 2019 have been restated to reflect this error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The adjustment is summarised as follows:

	<b>2019</b>	<b>Increase /</b>	<b>2019</b>
	<b>(previously stated)</b>	<b>(decrease)</b>	<b>(restated)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	1,421	477	1,898
<b>Net assets</b>	5,152	(477)	4,675
Retained losses	66,473	477	66,950
<b>Total equity</b>	5,152	(477)	4,675

### **35. Contingent assets and contingent liabilities**

The Group has a commercial dispute against a third party and has taken legal proceedings to claim for damages. A deposit of \$130,000 has been placed into an escrow account to facilitate the proceedings (refer to Note 14). The proceedings are currently ongoing and the Group cannot reliably determine the probability of a successful outcome or the value of the contingent asset as at date of this report (2019: Nil).

Other than the above, the Group are not aware of any contingent assets or liabilities as at 31 December 2020 (2019: Nil).

### **36. Company details**

The registered office of the Company is:

YPB Group Limited  
Suite 1, 295 Rokeby Road  
Subiaco, WA 6008  
Australia

The principal places of business are:

Level 39, Exchange Tower  
388 Sukhumvit Road  
Klong Toey  
Bangkok 10110  
Thailand

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

## **Directors' Declaration**

1. In the opinion of the directors of YPB Group Limited (the "Company"):
  - a. the consolidated financial statements and notes that are set out on pages 23 to 70 are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 259A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2020.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



John Houston  
Director

Dated this 30<sup>th</sup> day of March 2021

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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of YPB Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

#### Independence

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

#### Key Audit Matters

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



## 1. Impairment testing of intangible assets – Patent Licence Rights

### Why significant

As at 31 December 2020 the carrying value of patent licence rights was \$5,580,000 (2019: \$6,500,000), as disclosed in Note 18. This represents 68% (2019: 79%) of total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 6(j).

An annual assessment for impairment indicators for intangible assets is required under Australian Accounting Standard (AASB) 136 *Impairment of Assets*. The development and commercialisation of the underlying technology (Motif Micro) is ongoing, which has increased the uncertainty of forecasted cash flows and delayed the crystallisation of revenue pipelines.

Management engaged an independent expert to perform a valuation of the carrying value of the patent licence rights as at 31 December 2020.

The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining the key assumptions, which include:

- The period of cash flow forecasts included (including the expected impact of the COVID-19 pandemic);
- Terminal value growth factor; and
- Discount rate.

The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets is an area of significant estimation and judgement.

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:-

- reviewing and challenging the business plan and budget management prepared for Motif Micro from FY21 to FY25;
- assessing and challenging the growth rates used in the forecast models, including comparing the growth rate in the industry;
- assessing the competency and objectivity of the independent expert and the scope of their work, including key assumptions made and inputs used, including, but not limited to, the discount rates and growth rates;
- testing, on a sample basis, the mathematical accuracy of the cash flow models;
- agreeing inputs in the cash flow models in the external valuation report to relevant data including approved budgets and latest forecasts; and
- assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 18.

## 2. Valuation and recognition of equity instruments

### Why significant

During the year, the consolidated entity granted and awarded substantial shares, options and performance rights to key management personnel, external consultants and employees, most of which were issued to extinguish existing liabilities.

As at 31 December 2020, the consolidated entity recorded a loss on extinguishment of liabilities via equity settlement of \$4,828,000. The consolidated entity's accounting policy in respect of equity issues is outlined in Note 6.

Loss on extinguishment of liabilities represents 44% of the consolidated entity's total expenses during the year.

Management engaged an independent expert to perform the valuation of these equity issues.

Valuation and recognition of equity instruments is a key audit matter due to:

- The expense and equity impacts of the issue of equity instruments during the year ended 31 December 2020 being material;
- The significant audit effort required to test the consolidated entity's equity instrument transactions; and
- The level of judgement required in the equity instruments' valuation.

### How our audit addressed the key audit matter

Our audit procedures included, but was not limited to, the following procedures:

- obtaining and reviewing external valuation of issued share and options, including assumptions and judgements used such as option terms, risk free rates and volatility;
- obtaining the consolidated entity's equity instruments worksheet and checking for mathematical accuracy;
- reviewing board meeting minutes and ASX announcements, and ensuring completeness of the equity worksheet;
- testing a sample of equity instruments to source documents such as share or option offer letters, agreements and contracts, ensuring consistency of details in the equity worksheet;
- reviewing journal entries processed for the issues; and
- reviewing the adequacy of disclosures in the financial report relating to the equity instruments issued.

### 3. Funding and liquidity position

#### Why significant

The consolidated entity recorded a loss after tax of \$11.1m (2019: loss of \$8.0m), net cash outflows from operations of \$3.4m (2019: cash outflows from operations of \$4.7m) and a net current asset deficiency of \$0.9m (2019: deficiency \$1.6m). Therefore, the group's funding and liquidity position is considered an event or condition that may cast doubt on the entity's ability to continue as a going concern.

Note 2(i) disclosed reasons why the Directors believe that the financial statements can be prepared on a going concern basis, and no material uncertainty exists.

The funding and liquidity position was determined a key audit matter due to:

- the judgement involved in determining the consolidated entity's forecast cash flows from operations, and
- the significant audit effort required to test the appropriateness of the going concern basis and evidence supporting this assumption.

#### How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- evaluating the consolidated entity's latest cash flow forecast for a period that is not less than 12 months beyond the date of the financial statements being approved, including challenging the reasonableness of key assumptions used management of the consolidated entity in their cash flow forecast, including the assessed impact of the COVID-19 pandemic;
- comparing the latest (unaudited) year to date financial information in FY21 with management approved budgets, to assess performance post-balance date and the accuracy of management budgeting processes;
- assessing subsequent events for evidence of further capital raising and funding to support management's position; and
- assessing the adequacy of the disclosures made by management in the consolidated financial statements.

#### Other Information

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

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

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

## Directors' Responsibilities for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of YPB Group Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 MARCH 2021

## Shareholder Information

### Distribution of holders

The number of holders and number of holdings by a range of holding sizes of the ordinary shares and options as at 29 March 2021 are detailed below:

Holding size	Shares	
	No. of holders	No. of shares held
1 to 1,000	127	13,310
1,001 to 5,000	102	312,963
5,001 to 10,000	126	1,117,939
10,001 to 100,000	640	37,585,344
100,001 and over	2,534	4,952,790,962
	<u>3,529</u>	<u>4,991,820,518</u>

Number of holding less than a marketable parcel of 1,385.

### Substantial shareholders

The names of substantial shareholders listed in the Company's register as at 29 March 2021 are:

	No. of shares held
The Bimm Corporation Pty Ltd	1,134,796,980
Mrs Chunyan Niu	345,401,168
HSBC Custody Nominees	119,891,415
Mr Hong Sian Tan	118,845,238
Mr Stephen Gharibian	80,000,000

### Voting rights

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

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

## Options

Options as at 29 March 2021 are as follows:

Listed Options \$0.005 Expiry 23/2/2022  
 Unlisted Options Exercise \$0.35 Expiry 12 December 2026  
 Unlisted Options Exercise \$0.45 Expiry 12 December 2026  
 Unlisted Options Exercise \$0.55 Expiry 12 December 2026  
 Unlisted Options Exercise \$0.65 Expiry 12 December 2026

### Holding size

Holding size	Options	
	No. of holders	No. of options held
1 to 100,000	-	-
100,001 and over	139	1,793,007,903
	<u>139</u>	<u>1,793,007,903</u>

### Top 20 Ordinary Shareholders as at 29 March 2021

	No. of shares held
The Bimm Corporation Pty Ltd	1,134,796,980
Mrs Chunyan Niu	345,401,168
HSBC Custody Nominees	119,891,415
Mr Hong Sian Tan	118,845,238
Mr Stephen Gharibian	80,000,000
Anglo Menda Pty Ltd	75,000,000
BNP Paribas Nominees Pty Ltd	71,822,177
Zero Nominees Pty Ltd	70,671,378
J F Houston Holdings Pty Ltd	62,169,479
Mr Philip R B Wade	33,600,000
Ms Kimberly Staggs	31,011,111
Levrok Superannuation Fund	31,000,000
Mr Tyson Scholz	30,000,000
Mr Evan Philip Clucas & Ms Leanne Jane Weston	29,324,234
Mr Ronald Langley	29,215,213
Citicorp Nominees Pty Limited	28,902,458
Mr Ronald Langley & Mrs Rhonda Langley	26,250,000
Scintilla Strategic	25,000,000
Mr Lindsay Malcolm Staggs	24,000,000
Ack Pty Ltd	22,564,103
	<u>2,389,464,954</u>
Balance of register	<u>2,602,355,564</u>
<b>Total</b>	<u><u>4,991,820,518</u></u>

## Top 20 Listed Options holders as at 29 March 2021

	<b>No. of option held</b>
Atlantic Capital Holdings Pty	326,923,077
Mrs Chunyan Niu	159,010,601
Mr Kelwyn Roy McMeikan	100,000,000
Autumn Origin Capital Pty Ltd	100,000,000
Chifley Portfolios Pty Ltd	97,173,145
Anglo Menda Pty Ltd	90,671,378
Zero Nominees Pty Ltd	70,671,378
Yucaja Pty Ltd	34,328,845
Rat Consulting Pty Ltd	29,600,000
Elton Holdings Pty Ltd	28,268,551
Millwest Investments Pty Ltd	26,501,767
Hirsch Financial Pty Ltd	24,246,633
Domaevo Pty Ltd	24,172,019
Rimoyne Pty Ltd	22,134,276
Bull Equities Pty Ltd	21,454,912
Mr Jamie Wright	20,000,000
Mr Jeremy Martin	17,667,845
Saba Nominees Pty Ltd	16,114,580
Eric Golf Pty Ltd	13,569,258
Square Forest Pty Ltd	12,931,537
	<hr/>
	1,235,439,802
Balance of register	493,568,101
<b>Total</b>	<hr/> <b>1,729,007,903</b> <hr/>

### **On-market buy back**

There is currently no on-market buy back.



# Corporate Directory

## Registered Office

Suite 1, 295 Rokeby Road  
Subiaco, WA 6008

ABN: 68 108 649 421  
Telephone: +61 (8) 6555 2950  
Facsimile: +61 (8) 6166 0261

## Mailing address

PO Box H215  
Australia Square  
NSW 1215

## Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney, NSW 2000

Telephone: 1300 737 760  
Facsimile: 1300 653 459  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Auditors

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

Telephone: +61 (7) 3839 9733  
Facsimile: +61 (7) 3832 1407

## Stock Exchange Listing

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

ASX Code: YPB  
Website: [www.asx.com.au](http://www.asx.com.au)

## Directors

John Houston  
Su (George) Su  
Gerard Eakin

## Company Secretary

Sebastian Andre