

ASX ANNOUNCEMENT

ASX:YPB | 29 February 2024

YPB's further advances toward profitability in 2023

- 2023 smallest *operating* loss in company's history, 21% improvement on pcp
- *Operating cash use* 26% improvement, confirms profit trend
- R&D progress lifts realisable value of entire IP portfolio
- New platform www.connectqr.ai has profound transformational potential

Authentication and consumer engagement solutions creator **YPB Group Limited (ASX: YPB)** presents financial highlights for the year to 31 December 2023.

2023 saw yet another significant step in YPB's advance toward profitability with a further reduction in *operating* cash loss. The net *operating* loss for the year adjusting for non-operational or non-controllable items for the year improved 21% to \$2.8m and was confirmed by a reduction in net operating cash burn to \$2.1m, a 26% improvement.

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

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

The most consequential development in that regard was ConnectQR, the just released self-serve QR code generation and management platform which has the capacity to grow rapidly in a dynamic global market. Because of its ability to scale at negligible incremental cost, ConnectQR has the potential to be literally transformative of YPB's financial performance.

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

The reported consolidated operating loss for the group for the year ended December 2023 was \$4.459m, a 35% deterioration (\$1.158m) on 2022. That figure, however, obscures the true operating performance of the business due to the significant movement between years in four non-operational or non-controllable items:

- Finance costs: \$574k deterioration;
- Share based payments: \$326k improvement;
- Impairment loss: \$906k deterioration; and
- Foreign exchange loss (simply on FX translation difference between years): \$765k deterioration.

Adjusting for these items, the net *operating* loss for the business saw a 21% improvement on the prior year to \$2.822m. Tight cost control was the prime driver, with the elimination of unproductive

consulting and sales staff, the full year benefits of a finance team restructure in 2022, and overall strict management of ancillary costs.

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

- China losing significant momentum in the covid lockdowns of 2021 and 2022 leading to orders and opportunities in 2023 rebuilding more slowly than anticipated;
- new business taking longer to consummate than expected;
- the loss of a large SE Asian pharma customer due to regulatory changes governing its packaging; and
- the previously reported boost from the legal settlement from a trade debtor.

Gross margin (revenue less cost-of-goods sold) rose to 97% in 2023 from 95% due to sales mix. This high gross margin reflects the intellectual property strength of YPB's products. It is also central to the drive toward profitability with each incremental sales dollar contributing almost entirely to profit.

As noted, the profit improvement followed a fall in operating costs, down 15% (\$631k) on the prior year with notable movements being:

- Capital raise and sales consulting costs 53% lower (\$418k) due to termination of unproductive relationships.
- Staff costs 29% lower (\$366k) primarily following the finance restructure of mid-2022 and additional minor headcount reductions.
- R&D costs 18% higher (\$121k) with a strong commitment to product development but with greater staff productivity.
- Marketing more than doubling (up \$54k) as outbound online marketing efforts increased, offset by more efficient travel down 43% (\$56k).

Cashflow confirmed the profit improvement. Net cash used in operations as reported improved 21% to \$2.3m but pre finance and interest costs it improved 26% to \$2.1m. The improved cash burn trends confirmed the 21% improvement in *operating* profit.

The cashflow shortfall was funded by new equity and new borrowings. New equity raised \$1.58m, down from \$2.03m in the prior year, and continuing the trend of lower new equity issuance by the company. The board always strives to minimise shareholder dilution while facing the reality of funding the company. Executive Chairman John Houston reiterated his faith in the company's prospects with a further \$1.0m loan in 2023 taking his total loan fund exposure to \$2.0m as at balance date 2023. Mr Houston is also the company's largest shareholder and has repeatedly participated in new equity raises since listing.

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

A \$576k impairment of the carrying value of MotifMicro's intellectual property was taken at year end with the technical development and commercialisation plan running behind the expected schedule when the carrying value was last reviewed. The company has also taken an impairment provision against the \$330k licence from NVISO for the development of AI-based verification tools as the likelihood of a successful product arising from that licence is presently doubtful.

Commercial and R&D developments

Closing commercial deals was frustratingly slow in 2023, and behind plan. Nevertheless, numerous significant new opportunities were closed in the period that highlight three key themes:

- The capacity of the company to adapt existing solutions to new applications for potentially large markets at negligible incremental cost.
- The relevance of QR technology to the virally expanding drive by businesses to have direct engagement with their end consumers.
- The ability of the company to win customers globally, also at minor incremental cost and well below the cost of traditional methods, via online marketing and remote deal closure.

Together, these facts mean:

- that our technology has much wider application than had been hitherto explored;
- that our technology has strong commercial appeal; and
- that a truly global market is accessible at low cost.

The major commercial developments in 2023 were:

- Entry into the US instant lotteries market via an adaption of YPB Tracer technology to vending/payout machines to prevent ticket fraud. Excellent technical progress has been made with this project, but regulatory approvals are still in train and, as always, slow. Our US partner is optimistic of an eventual successful outcome.
- Rim-Lock Innovations for its wheel crush prevention device in wheeled heavy mining and construction equipment. Five YPB solutions integrate to deliver the following outcomes for Rim-Lock®:
 - Digital Information – via ProtectCode® issuing each product unit with a unique QR identifier as a means of managing that unit through its lifecycle.
 - Physical authentication - with YPB Tracer providing forensic guarantee of authenticity of each unit.
 - Supply chain management - with BrandReporter® providing visibility through the entire supply chain.
 - Inventory, use and maintenance logging - via the UnifAI smartphone app and BrandReporter®.
 - Management of the maintenance database - via smartphone QR scan uploading data to YPB Connect, the parent to all YPBs digital services ProtectCode® BrandReporter® UnifAI
- As detailed in a December quarter business update (ASX 11/12/2023) new and existing projects were also progressed with:
 - Ecocan Recycling in Africa – beverage container recycling;
 - Scranton in South Korea – consumer products applications; and
 - Addera in Peru – rice packaging.

But by far the most significant development in 2023 was the culmination of years of R&D across consumer engagement and authentication solutions with the launch of YPB's potentially most significant product ever in January 2024, ConnectQR.



ConnectQR is the newest module of YPB's proven Connect™ SaaS consumer engagement and anti-counterfeit platform. It is the culmination of YPB's years of development and knowledge in:

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

Its great potential lies in it being:

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

These attributes imply an ability to scale both revenue and profit at speed as the product gains traction. Should that happen, the impact on YPB's financial performance would be literally transformative.

YPB Executive Chairman and Group CEO John Houston said: *"While far from satisfied with 2023's financial outcomes, our attention to maximising the productivity of all our expenditure has again taken us closer to profitability.*

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

Most importantly, ConnectQR is the synthesis and pinnacle of all our specialist knowledge and its technical and user advantages over existing solutions in the vibrant QR platform market gives me great confidence in its likely commercial success. Success for ConnectQR would revolutionise our financial results and the company's future, and I'm eagerly anticipating the year ahead.

This announcement has been authorised by the Board of YPB Group Limited.

Ends.

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About YPB Group

YPB Group Limited (ASX: YPB) is listed on the Australian Stock Exchange and has developed and sells of a suite of physical, digital, and AI-based authentication technologies with a vast range of applications. Our solutions can easily authenticate a myriad of items, such as FMCG (fast-moving consumer goods) products, official identification documents, pharmaceuticals, nutraceuticals, dairy products, tax stamps, transactions - and even people.

Our solutions trigger engagement with consumers in a consented, cost-effective, and direct manner. Our proprietary technologies utilize Bluetooth and/or smartphones to capture and analyse invaluable authentication data in our Connect™ global intelligence platform, providing real-time, first-party, and worldwide market intelligence data. This actionable data enables brands to establish digital and direct marketing channels with their customers.

The markets YPB is targeting comprise many billions of items, and this number is growing rapidly, providing YPB with significant growth opportunities for its authentication and consumer engagement. To learn more please visit: ypbsystems.com

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connectqr.ai



1. Company details

Name of entity: YPB Group Ltd
ACN: 108 649 421
Reporting period: For the year ended 31 December 2023
Previous period: For the year ended 31 December 2022

2. Results for announcement to the market

					2023	2022
		\$	%		\$	\$
Revenues from ordinary activities	Up	121,947	22%	to	677,888	555,941
Loss from ordinary activities after tax for the year attributable to the owners of YPB Group Ltd	Up	1,158,029	35%	to	(4,459,632)	(3,301,603)
Loss for the year attributable to the owners of YPB Group Ltd	Up	1,158,029	35%	to	(4,459,632)	(3,301,603)

Comments

The loss for YPB Group Ltd ('the Consolidated Entity'), after providing for income tax for the year ended 31 December 2023 amounted to \$4,459,632 (2022: \$3,301,603). Revenue for the year was \$677,888 (2022: \$555,941) which represents a 22% increase from the prior year.

3. Net tangible assets/(liabilities)

	2023	2022
	Cents	Cents
Net tangible assets/(liabilities) per ordinary security	(0.429)	(0.365)

The net tangible assets/(liabilities) backing per ordinary security of (0.429) cents presented above is inclusive of right-of-use assets and lease liabilities. Net tangible assets are showing a negative value for the reporting and comparative periods due to the majority of recorded assets being intangible.

4. Gain and loss of control over entities

During the year ended 31 December 2023, the Consolidated Entity has not restructured the legal entity organisation structure (31 December 2022: nTouch Agency Pty Ltd deregistered).

5. Dividends

Current year

There were no dividends paid, recommended or declared during the current financial year.

Previous year

There were no dividends paid, recommended or declared during the previous financial year.

6. Dividend reinvestment plans

There are no dividend reinvestment plans for the year ended 31 December 2023 (2022: Nil).

7. Details of associates and joint venture entities

No changes.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

There has been no change in foreign-owned subsidiaries to those reported for the year ended 31 December 2023. All group entities comply with International Financial Reporting Standards ('IFRS').

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements for the year ended 31 December 2023 are in the process of being audited.

10. Attachments

Details of attachment (if any):

Not applicable.

Signed



John Houston

Date: 29 February 2024



YPB Group Ltd

ACN: 108 649 421

Full Year Preliminary Report 31 December 2023

YPB Group Ltd
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For the year-ended 31 December 2023

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

	Note	2023 \$	2022 \$
Revenue	2	677,888	555,941
Expenses			
Consulting		(367,625)	(786,354)
Depreciation and amortisation expense		(38,032)	(22,920)
Directors' fees		(80,000)	(80,000)
Employee benefits expense		(886,281)	(1,251,619)
Finance costs	3	(648,577)	(74,631)
Impairment of goodwill and other intangible assets	10	(907,797)	-
Marketing costs		(104,398)	(49,711)
Investor relations		(101,668)	(128,780)
Production costs		(17,322)	(26,824)
Professional fees		(211,782)	(211,362)
Rental expenses		(139,288)	(99,260)
Research and development costs		(804,885)	(683,828)
Regulatory expenses		(90,232)	(121,071)
Share-based payments		(50,667)	(377,416)
Travelling expenses		(73,907)	(129,572)
Other expenses		(585,184)	(549,206)
Foreign exchange (loss)/gain		(29,875)	735,010
Loss before income tax	4	(4,459,632)	(3,301,603)
Income tax (expense)/benefit		-	-
Loss after income tax from continuing operations for the year attributable to the owners of YPB Group Ltd		(4,459,632)	(3,301,603)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(60,368)	(415,180)
Other comprehensive income for the full-year, net of tax		(60,368)	(415,180)
Total comprehensive loss for the year attributable to the owners of YPB Group Ltd		(4,520,000)	(3,716,783)
		Cents	Cents
Basic and diluted earnings per share	17	(0.69)	(1.02)

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

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

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	5	567,572	641,408
Trade and other receivables	6	358,323	328,987
Other assets	7	97,494	374,685
Inventories	8	175,262	193,464
		1,198,651	1,538,544
Non-current assets			
Plant and equipment	9	17,023	31,821
Intangibles	10	5,173,093	5,804,800
		5,190,116	5,836,621
Total assets		6,388,767	7,375,165
Liabilities			
Current liabilities			
Trade and other payables	11	2,582,658	2,033,793
Financial liabilities	12	2,024,424	1,021,085
		4,607,082	3,054,878
Total liabilities		4,607,082	3,054,878
Net assets		1,781,685	4,320,287
Equity			
Issued capital	13	85,426,969	83,877,039
Reserves	14	2,433,896	2,406,357
Accumulated losses		(86,079,180)	(81,963,109)
Total equity		1,781,685	4,320,287

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

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

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

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

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

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Issued options reserve \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2022	81,773,800	2,192,710	767,344	80,805	(79,428,805)	5,385,854
Loss after income tax benefit for the year	-	-	-	-	(3,301,603)	(3,301,648)
Other comprehensive income for the year, net of tax	-	(415,180)	-	-	-	(415,180)
Total comprehensive loss for the year	-	(415,180)	-	-	(3,301,603)	(3,716,828)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of transaction costs	2,103,239	-	-	-	-	2,103,239
Performance rights exercised during the year	-	-	-	(80,805)	-	(80,805)
Performance rights issued during the year	-	-	-	418,827	-	418,827
Options granted during the year	-	-	210,000	-	-	210,000
Options lapsed during the year	-	-	(767,344)	-	767,344	-
Balance at 31 December 2022	83,877,039	1,777,530	210,000	418,827	(81,963,109)	4,320,287

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

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

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		909,193	500,981
Payments to suppliers and employees		(2,974,960)	(3,300,679)
Interest received		16,550	2,385
Finance costs		(207,628)	(53,546)
Net cash used in operating activities	16	(2,256,845)	(2,850,859)
Cash flows from investing activities			
Payments for plant and equipment		(6,025)	(3,842)
Payment for intangible assets		(300,000)	-
Proceeds from disposal of plant and equipment		1,552	235
Net cash used in investing activities		(304,473)	(3,607)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		1,499,930	2,030,384
Proceeds from borrowings		1,000,000	1,500,000
Repayment of borrowings		-	(500,000)
Net cash from financing activities		2,499,930	3,030,384
Net (decrease)/increase in cash and cash equivalents			
		(61,388)	175,918
Cash and cash equivalents at the beginning of the financial year		641,408	531,477
Effect of movements in exchange rates on cash held		(12,448)	(65,987)
Cash and cash equivalents at the end of the financial year	5	567,572	641,408

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

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

Note 1. Operating segments

The Consolidated Entity is organised into operating segments as outlined below.

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

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

Types of products and services

For the year ended 31 December 2023, management considers the 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.

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 or smartphone mobile devices;
- Forensic laboratory services for the examination of counterfeit products; and
- Security consulting services provided to governments, corporations and intellectual property owners for the deterrence of counterfeiting, grey markets, product diversions and fraud.

(a) Geographical information

2023

Reportable segments

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

YPB Group Ltd
Notes to the consolidated financial statements
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2022

Reportable segments

	Australia	People's Republic of China	Thailand	United States of America	Total
<i>In \$</i>					
External revenue	296,464	254,690	-	-	551,154
Interest income	2,372	-	13	-	2,385
Other income	175	2,227	-	-	2,402
Total revenue	<u>299,011</u>	<u>256,917</u>	<u>13</u>	<u>-</u>	<u>555,941</u>

(b) Assets

2023

Reportable segments

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

2022

Reportable segments

	Australia	People's Republic of China	Thailand	United States of America	Total
<i>In \$</i>					
Current assets	1,050,142	307,769	180,187	446	1,538,544
Non-current assets	-	10,783	16,927	5,808,911	5,836,621
Total assets	<u>1,050,142</u>	<u>318,552</u>	<u>197,114</u>	<u>5,809,357</u>	<u>7,375,165</u>

Note 2. Revenue

	2023	2022
	\$	\$
<i>Revenue</i>		
Sale of goods and services	381,212	551,154
<i>Other revenue</i>		
Interest	16,550	2,385
Other income	280,126	2,402
	<u>677,888</u>	<u>555,941</u>

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

Note 3. Finance cost

		Consolidated	
	Note	2023	2022
		\$	\$
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	4	648,577	74,631
		<u>648,577</u>	<u>74,631</u>

Note 4. Loss for the year

The loss for the year includes the following expenses:

		Consolidated	
	Note	2023	2022
		\$	\$
Finance costs	3	648,577	74,631
Research and development costs		804,885	683,828
Depreciation and amortisation		38,032	22,920
Impairment of intangible assets		907,797	-
Rental expense on operating leases – minimum lease payments		139,288	99,260
Loss/(gain) on extinguishment of financial liabilities via equity settlement		-	-
		<u>2,538,579</u>	<u>880,639</u>

Note 5. Cash and cash equivalents

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

Note 6. Trade and other receivables

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

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

Note 7. Other assets

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

(i): Deposit was returned for \$200,000 and no addition during the year because a commercial dispute against an external party was settled in 2023.

Note 8. Inventories

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

Note 9. Plant and equipment & Right-of-use assets

	Consolidated	
	2023	2022
	\$	\$
Plant and equipment – at cost	196,432	213,241
Less: accumulated depreciation	(179,409)	(181,420)
	<u>17,023</u>	<u>31,821</u>

Reconciliations

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

Consolidated	Plant and equipment
	\$
Balance at 1 January 2023	31,821
Additions	6,025
Disposals	(1,076)
Depreciation expense	(19,096)
Exchange differences	(651)
Balance at 31 December 2023	<u>17,023</u>

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

Balance at 1 January 2022	50,106
Additions	3,842
Disposals	(247)
Depreciation expense	(22,927)
Exchange differences	1,047
Balance at 31 December 2022	<u>31,821</u>

Note 10. Intangibles

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

Reconciliations

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

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Consolidated	Patent licence rights	License Agreement	Total
	\$	\$	\$
Balance at 31 December 2022	5,804,800	-	5,804,800
Balance at 1 January 2023	5,804,800	-	5,804,800
Additional during period	-	350,000	350,000
Accumulated amortisation	-	(18,676)	(18,676)
Impairment loss	(576,473)	(331,324)	(907,797)
Effect of movement in exchange rates	(55,234)	-	(55,234)
Balance at 31 December 2023	5,173,093	-	5,173,093

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 consolidated statement of profit or loss and other comprehensive income.

MotifMicro Rights

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

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

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

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

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

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- Revenue growth from conversion of forecast sales pipeline for FY2024 with an annual long-term growth rate of 12.5% until 2028 that follows the industry growth rate with a long-term annual growth rate of 2% thereafter;
- Discounted cash flow modelling to 2035 with no terminal value;

- A WACC of 25% (post-tax) assuming a long-term debt/equity ratio of nil; and
- The group securing sufficient funding in future periods to continue as a going concern.

Licence Agreement

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

Note 11. Trade and other payables

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

Note 12. Financial liabilities

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

(i): During the year, the Consolidated Entity obtained a total of \$2,000,000 (2022: 1,000,000) of short-term borrowings from a related party, repayable within 12 months from the commencement date, and at an interest rate of 17.48% per annum (2022: 16.73%) (or part thereof).

Note 13. Equity – Issued capital

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

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 January 2023	406,546,153	83,877,039
Issuance as payment for grant of 10 years licence	15 Mar 2023	10,000,000	50,000

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Share placements	22 Mar 2023	202,702,703	900,000
Share placements	30 Jun 2023	112,612,613	500,000
Conversion of performance rights	30 Jun 2023	11,600,000	70,000
Security shares for the ATM facility	2 Nov 2023	37,000,000	69,930
Share issued to ATM subscription	29 Nov 2023	10,000,000	20,000
Less: Transaction costs on shares issued			(60,000)
Balance	31 December 2023	<u>790,461,469</u>	<u>85,426,969</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 14. Equity – Reserves

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

(a) Issued options reserve

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

Details	Date	Options	\$
Balance	1 January 2023	142,560,000	210,000
Options issued to related parties for loan establishment fee	13 January 2023	200,000,000	357,467
Options granted to investors of capital raise	30 June 2023	112,612,613	-

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Options granted to investors of capital raise	31 August 2023	202,702,703	-
Balance	31 December 2023	<u>657,875,316</u>	<u>567,467</u>

(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.

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

(c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. 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 are classified as net investment in foreign operations. Exchange differences arising

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

Note 15. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries:

Name	Principal Place of Business / Country of Incorporation	Ownership Interest	
		2023	2022
YPB Limited	Hong Kong	100	100
YPB Technology (Beijing) Ltd	People's Republic of China	100	100

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Product ID & Quality Systems (Beijing) Ltd	People's Republic of China	100	100
YPB Group (USA) Inc.	USA	100	100
YPB Intellectual Product Protection Inc.	USA	100	100
YPB Group International Co., Ltd	Thailand	100	100
YPB Group Co., Ltd	Thailand	100	100
nTouch Pty Ltd	Australia	100	100
YPB Product Development Pty Ltd	Australia	100	100

Note 16. Reconciliation of loss after income tax to net cash used in operating activities

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

Note 17. Earnings per share

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

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	Cents	Cents
Basic/Diluted earnings per share	(0.69)	(1.02)

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

Note 18. Subsequent events

The following events have occurred since 31 December 2023:

On 15 February 2024, YPB has signed the agreement with First Pacific Capital for the Debt placement capital raise to facilitate the allocation of A\$1,000,000 of the current loan facility agreement which can be converted into shares at a floor price of A\$0.002 per share subject to shareholder approval facilitating YPB Group's growth strategy.

Additionally, First Pacific Capital will collaborate with YPB Group to structure offer documents for a \$500,000 share placement under Tranche 1 Equity raise, utilizing YPB's existing capacity. A Tranche 2 of approximately A\$1.5m will also be structured, committed alongside Tranche 1, subject to shareholder approval.

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