

VERATIN PTY LTD

ABN 89 613 404 612

Financial report for the year ended 30 June 2021

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VERATIN PTY LTD DIRECTOR'S REPORT

Director's report

Your Director presents their report on the Veratin Pty Ltd (the "Company" or "Veratin") for the financial year ended 30 June 2021.

Director

The name of the Director that held office during the year or at any time during the year:

- Dr Ramiz Boulos – appointed on 1 July 2016

Principal activities

Undertake the development and commercialisation of high value products from waste wool.

Operating result

The Company's net loss for the year ended 30 June 2021 is \$70,547 (2020: net loss of \$70,273).

During the current year, the Company is focused on the development and commercialisation of high value products from waste wool.

After balance date events

During July 2021, 205,000 were issued at \$0.08 per share.

During August 2021, the 678,750 shares were issued at \$0.08 per share.

The Company is currently in the process of preparing for an Initial Public Offering (IPO), with the Company aiming to raise between \$100,000 and \$300,000 and listed on the National Stock Exchange of Australia (NSX) in the coming months.

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial year.

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. The Company was not a party to any such proceedings during the year.

Options

There are no options outstanding at the date of this report. There were no options granted which expired during or since the end of financial year.

Environmental regulations

No environmental regulations have an effect on the operations of the Company.

Dividend paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made at the date of this report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on page 3 and forms part of this report.

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or

**VERATIN PTY LTD
DIRECTOR'S REPORT**

- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defending legal proceedings.

Signed in accordance with a resolution of the Board of Director.



Ramiz Boulos
Director

29 October 2021



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29 October 2021

Board of Directors
Veratin Pty Ltd
Unit 1/14A Hines Rd
O'Connor WA 6163

Dear Directors

RE: VERATIN PTY LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Veratin Pty Ltd.

As Audit Director for the audit of the financial statements of Veratin Pty Ltd for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Samir Tirodkar
Director



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Bedford International network of firms

VERATIN PTY LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue	2	40,996	17,282
Other income	3	49,527	31,724
Materials and supplies		(226)	(106)
Consulting and accounting expenses		(44,724)	(47,221)
Employee benefits expenses		(31,136)	(5,577)
Occupancy expenses		(20,274)	(15,575)
Finance costs		(50)	(280)
Depreciation		(3,588)	(2,949)
Other expenses		(61,072)	(47,571)
(Loss) before income tax		(70,547)	(70,273)
Income tax expense	4	-	-
(Loss) after tax		(70,547)	(70,273)
Other comprehensive Income			
<i>Items that may be reclassified to profit and loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>		-	-
Total comprehensive (loss) for the year		(70,547)	(70,273)

The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

VERATIN PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	5	13,851	4,192
Trade and other receivables	6	5,332	3,025
Prepayments		6,295	-
Total current assets		<u>25,478</u>	<u>7,217</u>
Non-current assets			
Property, plant and equipment	7	20,839	22,942
Intangible assets	8	75,594	74,896
Total non-current assets		<u>96,433</u>	<u>97,838</u>
Total assets		<u>121,911</u>	<u>105,055</u>
Current liabilities			
Trade and other payables	9	11,938	785
Loans payable	10	10,525	12,175
Total current liabilities		<u>22,463</u>	<u>12,960</u>
Net assets		<u>99,448</u>	<u>92,095</u>
Contributed equity	11	478,749	400,849
Accumulated losses		<u>(379,301)</u>	<u>(308,754)</u>
Total Equity		<u>99,448</u>	<u>92,095</u>

The statement of financial position should be read in conjunction with the notes to the financial statements.

VERATIN PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Contributed Equity \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2020	400,849	(308,754)	92,095
(Loss) for the year	-	(70,547)	(70,547)
Total comprehensive (loss) for the year	-	(70,547)	(70,547)
Issue of shares (net of costs)	77,900	-	77,900
Balance as at 30 June 2021	478,749	(379,301)	99,448
 Balance as at 1 July 2019	 319,408	 (238,481)	 80,927
(Loss) for the year	-	(70,273)	(70,273)
Total comprehensive (loss) for the year	-	(70,273)	(70,273)
Issue of shares (net of costs)	81,441	-	81,441
Balance as at 30 June 2020	400,849	(308,754)	92,095

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

VERATIN PTY LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Cash flow from operating activities			
Receipts from customers		44,252	19,010
Payments to suppliers and employees		(157,704)	(122,469)
R&D rebate received		15,005	21,724
EMD grant received		23,976	-
Cash flow boost received		10,000	10,000
Net cash inflow/(outflow) from operating activities	13(a)	(64,471)	(71,735)
Cash flow from investing activities			
Payments for property, plant and equipment		(1,157)	(12,175)
Payments for intangible assets		(1,025)	(9,621)
Net cash used in investing activities		(2,182)	(21,796)
Cash flow from financing activities			
Receipts from borrowings	10	26,212	54,128
Repayment of borrowings	10	(6,300)	(24,806)
Issue of shares		56,450	61,416
Interest paid		(50)	(280)
Net cash provided by financing activities		76,312	90,458
Net increase in cash and cash equivalents		9,659	(3,073)
Cash and cash equivalents at beginning of the year		4,192	7,265
Cash and cash equivalents at end of year	5	13,851	4,192

The statement of cash flows should be read in conjunction with the notes to the financial statements

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1: Summary of significant accounting policies

a) Basis of preparation

(i) General purpose financial report

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for some assets which, as noted, have been written down to fair value as a result of impairment. Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

(iii) New Accounting Standards and interpretations adopted by the Company

The Company has adopted all of the new, revise or amending Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations and mandatory in the 30 June 2021 reporting period.

In March 2020, the AASB finalised and issued new Australian Accounting Standards which:

- Remove special purpose financial statements for some for-profit entities – through an Amending Standard, AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities (AASB 2020-2)
- Introduce a new 'Tier 2' 'Simplified Disclosure' Standard – AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060), replacing 'Reduced Disclosure Requirements' (RDR).

The new requirements apply to periods beginning on or after 1 July 2021. The Company has elected to early adopt the requirements, and apply them to the year ended 30 June 2019.

(iv) New and amended standards not yet adopted

A number of new standards, amendments to standards and interpretations issued by AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. The Board expects no impact on the financial statements of the Company.

(v) Going Concern Assessment

The financial report has been prepared on a going concern basis, which assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

As at 30 June 2021, the Company had net assets of \$99,448 and net current assets of \$3,015, and in the year then ended incurred a loss of \$70,547 and net operating cash outflows of \$64,471. These

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

conditions give rise to a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

Subsequent to 30 June 2021, management have been able to lower the risk of going concern by;

- securing additional funding through the issuance of shares
- converting \$5,300 of loans payable to equity.
- converting \$9,700 bonus payable to equity.
- planning for Initial Public Offering (IPO).

Management has considered the impacts of Government restrictions in response to the COVID-19 pandemic. Despite the measures taken impacting how the Company and its employees operate, the Company has continued to trade and has been able to meet ongoing customer contract obligations, and source new sales contracts. Management has fully considered the impact of the pandemic when considering the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern and to pay its debts as and when they become due and payable is dependent upon the Company earning sufficient revenue, ensuring that they continue to minimise their costs, and manage working capital effectively. The Director has a reasonable expectation that the business will be able to do this, and therefore have adopted the going concern basis in preparing this financial report.

(vi) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

b) Foreign currency translation

Functional and presentation currency

The financial statements are presented in the Australian dollar (\$), which is the Company's functional and presentation currency.

Transactions and balances

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

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

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

c) Revenue recognition

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

(i) Sale of goods

Revenue from sale of goods is recognised upon the delivery of goods to customers.

(ii) Rendering of services and commission

Revenue from rendering of services and commission is recognised upon delivery of services to customers.

(iii) Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iv) Research and development rebates, and other government incentives

Research and development rebates and other government incentives are recognised on a cash receipts basis.

d) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

e) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of an asset below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss and other comprehensive income – is removed from equity and recognised in the profit or loss and other comprehensive income statement. Impairment losses recognised in the statement of profit and loss and other comprehensive income on equity instruments classified as available for sale are not reversed through the profit or loss and other comprehensive income.

f) Income tax

The income used for tax calculations is made up of current tax income and deferred tax income.

Current Tax

Current tax assets are measured at the amounts expected to be recovered from the Australian Taxation Office.

Deferred Tax

Deferred income tax expense reflect the movements in deferred tax asset and deferred tax liability balances during the year as well as unutilised tax losses.

Except for business combination, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or tax profit and 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. Tax losses have not been recognised in the current financial period.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Offsetting balances

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where; (1) a legally enforceable right of set-off exists; and (2) the deferred tax assets and liabilities relate to the 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) Good and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

j) Financial instruments

Financial Assets

Classification and measurement

Under AASB 9, the Company initially measures a financial asset as its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under AASB 15.

Subsequent measurement

The Company's financial assets at amortised cost includes trade and other receivables.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Impairment of financial assets

For trade receivables, the Company applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans payable.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

(i) Plant and Equipment

Plant and equipment is measured on the cost basis.

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. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset is charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

(ii) Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a diminishing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20%
Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

l) Intangible assets

(i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Patents and trademark

Patents and trademark are initially recorded at cost. Assets deemed to have an indefinite life are tested annually for impairment and carried at cost less accumulated impairment losses. Assets deemed for have a finite life are amortised over their expected economic life to the Company and then recorded at cost less accumulated amortisation and impairment losses.

m) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

o) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

p) Fair value of assets and liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques.

These valuation techniques maximise, to the extent possible, the use of observable market data. To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

q) Critical accounting estimates and judgements

• **COVID-19**

The impact of COVID-19 on the global economy and how governments, businesses and consumers will respond is uncertain. This uncertainty is reflected in the Company's assessment of expected credit losses, which is subject to a number of management estimates and judgements.

• **Deferred taxation**

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

• **Income tax**

The Company is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Diversity in practice exists around the accounting treatment of refundable R&D incentives, because the Australian Accounting Standards do not specifically address R&D incentives. The Company has decided to record R&D refundable tax incentives as other income.

• **Revenue from contracts with customers**

Key judgements in the recognition of revenue from contracts with customers include the identification of performance obligations within the contracts, allocation of the transaction price within the contract to the identified performance obligations, treatment of the upfront project fees and treatment of any variable consideration subsequent to initial commencement.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2: Revenue from contracts with customers

	2021	2020
	\$	\$
Sale of goods	40,996	17,282
	40,996	17,282

(a) Operating segments

The Company operates in one geographic segment, being Australia.

3: Other income

	2021	2020
	\$	\$
Other Income		
• R&D rebates	15,005	21,724
• EMD grant	23,976	-
• Cash flow boost	10,000	10,000
• Others	546	-
	49,527	31,724

4: Income tax

Reconciliation of income tax expense to prima facie tax payable

	2021	2020
	\$	\$
Loss before income tax	(70,547)	(70,273)
Tax at Australian tax rate of 26% (2020: 27.5%)	(18,342)	(19,325)
Tax effect of amounts which are not assessable in calculating taxable income:		
- R&D Claim Receivable	(3,901)	(5,850)
- Government Incentive - Cashflow Boost	(2,600)	(2,750)
- Other government grants	(6,375)	-
Deferred tax assets not recognised	31,218	27,925
Income tax expense	-	-

Carried forward tax losses of \$316,558 have not been brought to account as a deferred tax asset of \$82,305. Based on the value of tax losses incurred, the director has formed an opinion that the business was not in a position to satisfy the criteria for recognising these losses as a deferred tax asset. The director is of the opinion that these losses remain available for the Company to use in the future.

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The director on a regular basis will assess the recognition of the deferred tax assets.

The Company undertakes eligible research and development (R&D) activities and is therefore entitled to claim an R&D offset under the R&D tax incentive as administered by The Australian Taxation Office and the Department of Industry, Innovation and Science. Refer to Note 3.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5: Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	13,851	4,192
	13,851	4,192

6: Trade and other receivables

	2021	2020
	\$	\$
Current		
Trade receivables	843	-
GST receivables	1,989	-
Other receivables	2,500	3,025
	5,332	3,025

Trade and other receivables are non-interest bearing and are generally settled on a 30-60 days term.

7: Property, plant and equipment

	2021	2020
	\$	\$
Vehicles – at cost	3,084	3,084
Vehicles - accumulated depreciation	(995)	(299)
Vehicles - carrying value at the end of the year	2,089	2,785
 Plant & equipment - at cost	 24,632	 23,475
Plant & equipment - accumulated depreciation	(5,882)	(3,318)
Plant & equipment - carrying value at the end of the year	18,750	20,157
Total property, plant & equipment	20,839	22,942

8: Intangible assets

	2021	2020
	\$	\$
Patents		
Cost	74,476	74,476
Accumulated amortisation	(327)	-
	74,149	74,476
 Trademark	 1,445	 420
Total	75,594	74,896

9: Trade and other payables

	2021	2020
	\$	\$
Current		
Trade payables	5,811	469
Sundry payables and accrued expenses	6,127	316
	11,938	785

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Trade payables are non-interest bearing and are generally settled on 30-60 day terms. Trade and other payables that are past due as at 30 June 2021 amounted to nil (2020: \$350).

10: Loans payable

	2021 \$	2020 \$
<i>Current</i>		
Loans payable to related parties (i)	5,300	12,175
Loans payable to third party (ii)	5,225	-
	10,525	12,175

(i) During 2021 the following loans were provided by related parties of the Company;

- During 2021, an additional \$20,400 (2020: \$37,100) was provided by shareholder, Boulos & Cooper Trust. No interest was applied to the loan. \$11,250 from prior year loan and \$10,200 was converted to issued shares in the Company on 14 August 2020 and 2 June 2021 respectively. Repayments of \$5,525 were made during the year.
- During 2021, \$112 was provided by director, Ramiz Boulos. No interest applied to the loan. The entire loan was offset against the FBT employee contribution during the year.

(ii) Loans payable to a third party is for insurance funding. The terms of the finance arrangement are as follows:

- Amount financed: \$5,700
- Start date: 16 June 2021
- Expiry date: 15 June 2022
- Monthly repayments of \$524.91
- Finance term: 12 months
- Interest rate: 10.51%

11: Contributed equity

	2021 \$	2020 \$
Share Capital		
Fully paid Ordinary Shares	478,749	400,849

Movement in Share Capital

At beginning of the year	400,849	319,408
Shares issued during the year	77,900	81,441
At end of the year	478,749	400,849

	2021 Number	2020 Number
Shares on issue at beginning of year	22,355	21,203
Shares issued during the year	494	1,152
Shares in issue at end of the year (pre-stock split)	22,849	22,355
Stock-split (3,750 shares for every 1 existing share)	85,660,901	-
Shares on issue at end of the year (post-stock split)	85,683,750	22,355

On 14 June 2021 a share split (3,750 shares for every 1 existing share) was carried out by the Company to align the share price to a future pre-IPO seed capital price in order to attract more investors. The split was determined based on a price of \$0.08 per share.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder's meetings, each ordinary share is entitled to one vote when a poll is called.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

12: Commitments and contingencies

The Company has no commitments during the year.

The Company has no contingent liabilities.

13: Cash flow information

(a) *Reconciliation of cash flow from operations with (loss) from ordinary activities after income tax*

	2021	2020
	\$	\$
Loss for the year	(70,547)	(70,273)
Depreciation & amortisation	3,587	2,949
Interest expense	50	280
<i>Changes in assets & liabilities</i>		
Trade and other receivables	(1,464)	(525)
Trade and other payables	10,198	(4,166)
Prepayments	(6,295)	-
Net cash flow (used in) operating activities	<u>(64,471)</u>	<u>(71,735)</u>

(b) *Non-cash investing and financing activities*

Refer to Notes 10(i) for non-cash financing activities.

(c) *Changes in liabilities arising from financing activities*

	1 July	Cash		30
	2020	Flows	Other	June
		(Net)		2021
Loans payable	12,175	20,212	(21,862)	10,525
Total liabilities from financing activities	12,175	20,212	(21,862)	10,525

14: Loss per share

	2021	2020
	\$	(Restated)
		\$
(a) Reconciliation of loss used in calculating loss per share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(70,547)	(70,273)
(b) Weighted average number of shares		
Ordinary shares used as the denominator in calculating basic loss per share	84,198,359	83,831,250
	Cents	Cents
(c) Loss per share		
Basic loss per share	(0.08)	(0.08)
Diluted loss per share	(0.08)	(0.08)

There is no potential ordinary shares that are dilutive, therefore not included in the calculation of diluted loss per share.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

15: Related Party Transactions

(a) Key Management Personnel Compensation

The aggregate compensation paid to the Director of the Company is as follows:

	2021	2020
	\$	\$
Wages and salaries	27,567	-
Superannuation	2,619	-
	<u>30,186</u>	<u>-</u>

(b) Other related party transactions

- During the year, the Director provided additional loans to the Company which amounted to \$20,512 (2020: \$54,128).

16: Financial risk management

Objectives and policies and financial instruments

The Company's financial instruments consist mainly of cash at bank, trade receivable, loans payable and trade payable.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

	2021	2020
	\$	\$
Financial Assets		
Cash and cash equivalents	13,851	4,192
Trade and other receivables	11,627	3,025
Total Financial Assets	<u>25,478</u>	<u>7,217</u>
Financial Liabilities		
Trade and other payables	11,938	785
Loans payable – current	10,525	12,175
Total Financial Liabilities	<u>22,463</u>	<u>12,960</u>

Financial Risk Management Policies

The Board of Directors monitors the Company's financial risk management policies and exposures and approves financial transactions. It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

Specific Financial Risk Exposures and Management

The main risk that the Company is exposed to through its financial instruments are liquidity risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Credit risk

The Company has no concentrations of credit risk.

VERATIN PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above of this note.

As at 30 June 2021, all cash and cash equivalents were held by either National Australia Bank, both with an A (Standard and Poor's) credit rating. In relation to trade receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to its trade and other payables and loans payable. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile; and
- only investing surplus cash with major financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is considered minimal.

17: Segment information

AASB 8 '*Operating Segments*' requires a "management approach" under which segment information is presented on the same basis as that useful for internal reporting purposes by the chief operating decision maker ("CODM").

For management purposes, the Company is organised into one main operating segment, being the development and commercialisation of high value products from waste wool in Australia. The chief operating decision maker of the Company is the Director.

All the Company's activities are interconnected and all significant operating decisions are based on analysis of the Company as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. At 30 June 2021, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

18: Events occurring after the reporting period

During July 2021, 205,000 were issued at \$0.08 per share.

During August 2021, the 678,750 shares were issued at \$0.08 per share.

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial year.

VERATIN PTY LTD
DIRECTOR'S DECLARATION

In accordance with a resolution of the director of Veratin Pty Ltd, the director of the Company declares that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year then ended.
2. In the director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Director.



Ramiz Boulos
Director

Dated this the 29 October 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VERATIN PTY LTD****Report on the Audit of the Financial Report****Our Opinion**

We have audited the financial report of Veratin Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) 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 are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. As at 30 June 2021, the Company had cash and cash equivalents of \$13,851 and incurred a loss after income tax of \$70,547.

The ability of the Company to continue as a going concern is subject to the future profitability of the Company and ability to raise further working capital. In the event that the Company is not successful in commencing profitable operations and/or raising further capital, the Company may not be able to meet its liabilities as and when they fall due and the realisable value of the Company's current and non-current assets may be significantly less than book values.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's financial report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 Company'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 Company to cease to continue as a going concern.

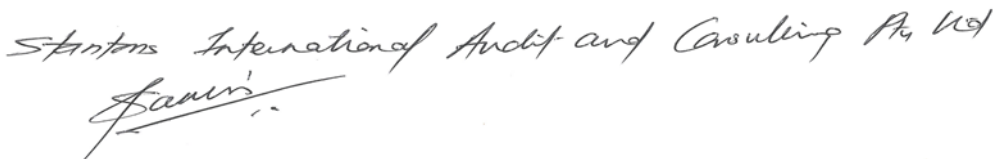
We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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, related safeguards.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director

West Perth, Western Australia
29 October 2021