



YPB Group Limited

ACN 108 649 421

Annual Report

31 December 2019

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Executive Chairman and CEO's Report to Shareholders

Dear fellow shareholders,

I am pleased to present YPB Group's Annual Report for the year ended 31 December 2019.

As stated in our February 2020 Appendix 4E commentary, 2019 recorded the greatest technical and operational advances in our company's history. Those strides mean we are now well placed to advance commercially in 2020 – subject to the impacts of the COVID-19 tragedy.

Despite our original tracer/scanner technology being an innovative and relevant solution to a massive problem, it became clear over time that addressing counterfeit has been a lower order concern to most brands, even those subject to serious counterfeit attack. But there are signs of that changing and recently Australian brands, for example, have started to adopt the kind of brand and consumer protection measures that YPB is founded upon. This slowness of adoption has meant that our original tracer/scanner solution (which is still relevant, particularly in China, and a foundation of our intellectual property suite) has thus far failed to generate sufficient commercial traction despite indicated strong interest from prospective clients.

The inadequate traction of tracer/scanner has been a major driver of our significant investment over the past two years in MotifMicro and Connect of and why our technical advances over 2019 are so significant for the YPB's revenue potential and future.

Brands have been slow to adopt product authenticity solutions but they are highly motivated to engage directly with their consumers wherever possible and ideally through the smartphone. They are also starting to recognise the value of transforming otherwise dumb packaging into a major marketing asset via our technologies.

So, the combination of MotifMicro's secure smartphone authentication and Connect's robust direct consumer engagement software is leading to significant, well-qualified commercial progress. In other words, we have a broader, more relevant product range than we've ever had and interest from channel partners and brands is high. We have no doubt that "authenticity triggers engagement" and we now have solutions that empowers this with demonstrable success in the field.

The technical progress of 2019 encourages a positive view of our likely commercial and financial progress in 2020.

Strategy refinement and corporate rebuild

Resuming operational control in H2 2017, I refined strategy and commenced a major rebuild of the company. It took until mid-2019 to complete this process and its financial cost and operational drag were still felt in H2 2019.

The management team that had bloated the cost base and misled the Board failed to deliver any significant revenue and was removed with the last members (given further opportunity to prove themselves) departing in 2019. They were replaced by fewer, more effective and more dedicated executives at lower cost. By mid-2019 YPB had been completely re-built.

i. Strategy

We facilitate brands' direct engagement with their consumers through the power of authenticity.

Our bedrock tenet is: *authenticity triggers engagement*. That means a consumer will actively engage with packaging, and thereby a consumer goods brand, in order to confirm a product's authenticity. A willingly engaged consumer is highly valuable to brands.

Our technologies allow brands to transform their packaging into powerful, direct-to-consumer, digital marketing channels that generate actionable consumer insights. The value to a brand of a consumer

choosing to engage with packaging via smartphone and then exploring online marketing material while simultaneously revealing personal information is literally multiples of standard marketing and advertising channels – and our technologies are a fraction of the cost.

We combine world-leading, proprietary, forensic-standard authentication technologies with powerful engagement software driven by smartphone. We leverage an already ubiquitous technology (i.e. the smartphone) to allow brands to rapidly penetrate mass consumer markets at low cost and with high success due to the power of authentication to trigger engagement. We help brands engage with, know and protect their consumers.

We seek to be world leaders in authentication technologies and competent creators of smartphone-based software that captures valuable consumer data for brands. We employ existing technologies where possible and use our proprietary innovations to simplify complex problems all powered by our Connect platform.

We help brands know and build relationships with their end consumers. The data captured by our solutions is known in marketing circles as “first party data” and is so valuable that brands will buy it from data aggregators in the pursuit of knowledge of their end consumers. A YPB-powered smartphone authentication scan integrated with YPB Connect captures and presents such data back to a brand, vividly illuminating the end consumer in a way that has been impossible hitherto.

The jewel in our technology crown is MotifMicro. The ultimate vision for it is to develop the dual protection of physical and digital unique product identities (serial numbers) in a single, invisible, indestructible, uncopiable marker readable by smartphones. The market potential of such a product is almost endless.

Successfully executed, this strategy will benefit from powerful tailwinds:

- The growth of e-commerce;
- The growth of cross-border trade in consumer goods;
- The desire of brands to engage directly with consumers;
- The declining reach of traditional marketing channels and questionable effectiveness of the prominent digital platforms; and
- The growth of incomes and demand for consumer goods PanAsia.

ii. Execution

While we have long known that authenticity is a powerful trigger to engagement for consumers, we have come to understand that consumer engagement is a powerful trigger for brands’ interest in our products. Consequently, our pitch to potential clients has been inverted.

Previously, we offered anti-counterfeit protection to brands. We now offer consumer engagement powered by authenticity. Engagement is prized and brands don’t like being associated with the negativity of counterfeit, hence the shift to authentication. Authentication infers more positive assurance of genuineness to the consumer.

Our geographic focus was scaled back to the Australia – SE Asia – China corridor – areas of significant cross-border trade, high incidence of counterfeit and growing middle classes where brands’ understanding of their end consumers is limited.

Our industry focus was tightened to improve execution and success rates. Our primary target industries are: wine, dairy, natural wellness and beauty, pharmaceuticals and legal cannabis.

Our channel partner strategy was rekindled with idled partners restarted and several new key partners, critical suppliers to consumer products manufacturers, developed.

The final stage of the strategy reset, undertaken in 2019, was to exit Retail Anti-Theft (RAT). While RAT was a strong adjacency to our authentication skills and technology, we were making insufficient progress to justify the cost of the operation. It was competitive, lower margin and working capital hungry. Efforts in monetising our own IP-rich products at high margin with less competition and strong big-brother partners will prove more rewarding. There were costs in 2019 associated with the RAT exit that will not recur in 2020.

As noted in shareholder communications in 2019, our China operations have also been restructured. Sales success has improved and costs are down but China's results remain unsatisfactory and a key focal point.

Our Bangkok hub is proving a prime asset, particularly in accessing IT development talent. We have been able to source high quality IT people, scarce in many geographies including Australia and the USA, and at much lower cost. This team is advancing both the Connect and MotifMicro product streams in conjunction with Dr Paul Bisso, our former CTO, who resides in the USA but continues to be our Principal Technical Consultant to the group.

Technical progress of 2019 multiplies market size and lifts chance of sales success

MotifMicro's advances in smartphone readability of a forensic authentication marker under "real world" conditions were possibly a world-first breakthrough in 2019. It took considerable AI (artificial intelligence) resources and YPB now has world class in-house capability in a talent-scarce market for AI or Machine Learning capability.

The commercial relevance of smartphone readability is that it allows highly secure forensic product authentication to be offered to the mass market for the first time. That greatly multiplies the potential market size for our solutions – from just B2B (business to business) to the many times larger B2C (business to consumer).

It is also likely that the demand for product authentication solutions will grow meaningfully as those brands not assuring product authenticity become competitively disadvantaged as consumers increasingly demand the ability to self-prove that a product is genuine.

Despite MotifMicro being a brilliant, innovative authentication solution, as noted above we have painfully learned that authentication alone is a longer, more difficult sell – and that's where the advances made in 2019 with Connect, YPB's consumer engagement software platform, are so significant. Connect opens doors and grabs attention.

Connect, initially commenced in 2016, was completely rebuilt over 2019 into a robust, reliable and user-friendly platform. The Connect rebuild by our fully in-housed, lower cost IT and AI teams in Bangkok, means we now have a flexible, customer-responsive solution suite suited to rapid deployment of smartphone-initiated consumer engagement solutions - a novel, low cost marketing channel direct from brand to end consumer. Connect became successfully commercialised throughout 2019.

The appeal to brands eager to engage more closely with consumers is high and Connect is proving to have significant commercial appeal in its own right.

Together, our advances in MotifMicro smartphone readability and Connect have considerably grown the potential market for our solutions.

Further, a wider solution suite with greater commercial appeal lubricates the sales process and hopefully compresses the sales cycle (although selling to corporates is necessarily a lengthy process with timelines dictated by the client).

In more detail, the technical advances reported to the market in 2019 were:

- **Smartphone readability** – Smartphone readability of a forensic authentication mark under real world conditions was a profound, value-enhancing achievement. The major advances were identification of the presence or absence of the MotifMicro invisible mark on curved surfaces, at a distance and with high accuracy rates.
- **MM1 tracer in production lines** - MotifMicro's MM1 tracer's commercial viability was proven under production-line conditions across a broad product range from various printing methods to incorporation in various substrates and end uses (e.g. wine caps, infant formula tins, vitamin containers etc.). This was a critical final proof required for commercial adoption.
- **Connect rebuild** – Complete rearchitecting and recoding of the platform, increasing reliability, flexibility, functionality and user friendliness.
- **Connect production-line ready** – Development was undertaken to facilitate Connec's integration into existing high volume, production line equipment and processes.
- **Product innovation** – A world first plastic security wrap with forensic authentication capabilities was created and produced in volume. Plastic security wrap is a large and potentially lucrative market.
- **Food safety** – MM1 was certified as food safe to FDA standards by SGS, the world's largest certification company, eliminating the possibility of food safety as a client concern.
- **Patent extension** – the US Patent Office granted extended coverage of the MotifMicro family of patents.

Commercial progress

- **Sales** –YPB's sales personnel, disciplines and protocols developed over the past year have dramatically improved compared with prior ineffectiveness. Our value proposition is clear and well supported by quality marketing and promotional material for the first time.
- **Channel partners** – Major packaging, labelling and components producers are obvious routes to market and powerful allies for YPB. They provide access to senior personnel at household name brands where we would otherwise struggle to gain access. The partners benefit from enhancing their competitive position via innovative technologies. During the year key new channel partner relationships were established and others rekindled. Channel partner activity and engagement has never been higher and prospects for sales success are encouraging.
- **Clients** – new wins of prominent brands in key wine and dairy verticals were individually valuable but should also result in further progress in those and other verticals. Lifting service levels to existing clients has been a focus and resulted in more opportunity for increased product coverage. Key new client developments included:
 - **Seppeltsfield**, a prominent South Australian family pioneer wine label, was the first implemented client win in wine.
 - **Nature One Dairy**, a domestic, export and white label producer of nutritionally enhanced milk formulas, was YPB's first Connect win in dairy.
 - **China** channel partners signed in mid-2019 secured sales of YPB product tracer/scanner to protect components and products of household name global clients across consumer electronics, lubricants, motor vehicles and entertainment as well as China's largest dairy company.
 - **Engagement** with several enterprise-grade prospects in Australia and SE Asia was initiated in Q4 2019 and is progressing.

- **Early adopters** – two early adopters of MotifMicro technology were signed during the year:
 - **PanPass** is China’s leading security label printer with volumes in the billions of units. It recognises the potential of MM to protect the authenticity of the labels it produces for its customers.
 - **OPP Gravure Printing**, a leading printer for consumer goods multi-nationals in Thailand. OPP’s focus is innovative products it can offer customers and was the site of the commercial trials of MM-infused security shrink wrap.

Financial results improved but unsatisfactory

Our financial results improved in 2019 but a significant loss remained far from satisfactory. The most important improvement was a 24% fall in net cash used by operations to \$4.7m.

Revenue fell \$0.87m due primarily to the exit from RAT noted above but cash use benefitted from much higher gross margin sales and a \$1.1m fall in operating costs flowing from the cost-out focus of 2017 and 2018.

Nevertheless, carry-over costs from that time kept costs higher than ideal in 2019 and 2020 will be the first period to fully benefit from the cost cuts in prior periods. Ensuring the productivity of every cost item remains a high priority.

The gross margin increases from 68% in 2018 to 84% in 2019 was due to the increased proportion of proprietary YPB products in revenue. That margin illustrates the potential to rapidly reduce losses and move into profit with greater sales traction.

The value of MotifMicro of \$8.5m (original cost) was written down by \$2.0m with a non-cash charge taken to the profit and loss account. The Board is of the view that MotifMicro’s value has actually increased due to the major technical breakthroughs achieved during 2019, the advanced commercial trials and the signing of the two early adopter clients but took the write down to adopt a carrying value within the valuation range provided in the independent valuation report in accordance with accounting standards.

Dilution

The Board greatly regrets the impact on shareholders of the poor stock price performance and consequent dilutive capital raisings.

Objectively, the intrinsic value of YPB actually increased in 2019. Our product suite advanced and is commercially relevant and generating strong interest, our sales effectiveness, partners and progress improved significantly, and the gap between revenue and costs has reduced and should fall further in 2020. But the stock market did not recognise those achievements.

Due to past disappointing delivery against expectations, investor support has been weak and that has forced dilutionary capital raises. Your Board has been highly cognisant of the damaging impact on shareholders of new equity issuance at low prices but in 2019 was repeatedly forced to make the least-worst decision: dilution or collapse of the company. Many alternative financing stones via numerous avenues and parties were turned in search of more shareholder-friendly funding but all were inferior to the path taken.

New Board appointment

The Board was delighted to welcome Philip Wade as a director in May 2019. Phil has a history of developing big businesses with significant technology and marketing elements and brings an enviable network relevant to YPB's business development goals. Phil was excited by the commercial potential of our solutions and recognised the social good that flows from reducing the harm of counterfeit and the community-building benefits of greater brand to customer intimacy. Phil is actively engaged in our business development activities.

Outlook

The operational sketch above suggests an improved result in 2020 and that is certainly our plan and strong focus. With a powerful product suite and increased client interest we anticipate increased sales success which on a lower cost base should drive an improved result. There is a concerted push toward breakeven to secure the company's sustainability and restore shareholder value. YPB really is in the best shape it has ever been in operationally. We are now intent on improving further and seeing the fruit of our concerted efforts flow into financial results.

I must note that COVID-19 mitigation policies are impacting on business development and normal order flows from clients. But we are hopeful that any impact will simply prove temporary delays.

I am extremely grateful for the strenuous, dedicated effort of our key senior executives and thank the Board for its support and counsel.

I look forward to reporting on a successful 2020 early next year.



John Houston

Executive Chairman and CEO

Directors' Report

The directors present their report and the financial statements of YPB Group Limited, the "Company") and its controlled entities (the "Consolidated Entity") for the company's financial year ended of 31 December 2019.

1. Directors & Secretary

For the period under review and covered by this report, the following persons were directors of the Company. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

	<i>Date Appointed</i>	<i>Date Resigned</i>
<i>Executive Chairman</i>		
John Houston	31 July 2014	-
<i>Non-Executive Directors</i>		
Su (George) Su	31 July 2014	-
Gerard Eakin	4 March 2016	-
Philip Wade	16 May 2019	-
Anoosh Manzoori	19 December 2018	4 June 2019

Mr Robert Whitton was the Company Secretary until 16 January 2019. Mr Adam Gallagher was then appointed as the Company Secretary. With effect from 25 June 2019, the Company appointed Sebastian Andre as a joint Company Secretary with Adam Gallagher. On 26 August 2019, Adam Gallagher resigned as the Company Secretary.

2. Principal Activities

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

3. Review of Operations

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

4. Financial Results

2019 saw a significantly improved financial performance. The reported net loss fell 19% to \$3.9m. This figure included an impairment of the patent licence rights of \$2m in 2019 (2018: \$2.4m). Please note that in the Appendix 4E of February 2020, the total loss for 2019 was previously reported as \$6.2m. The \$2.2m difference is due to a post-4E review regarding the fair value adjustment to financial liabilities extinguished via equity instruments of the Company, provision for slow-moving inventories under the retail anti-theft business, and impairment of the patent licence rights.

More meaningfully, the EBITDA loss of \$3.4m for 2019 was 10% lower than that of 2018. This was confirmed by net cash used in operating activities of \$4.7m which was 19% lower in 2019.

Revenue decreased in 2019 to \$1.1m from 2018 at \$2.0m. However, a combination of a higher gross margin from changed product mix especially with anti-counterfeit allowed our gross profit contribution percentage increase to 84% (2018: 68%).

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

2019 operating costs were 15% lower, an improvement of \$0.9m on 2018 and more than half that of 2017, due to the intense cost-out focus over 2017 and 2018. But carry-over costs from that time and further costs from final rebuild decisions in 2019 kept costs higher than ideal. 2020 will be the first period to fully benefit from the cuts with further cost control initiatives being considered.

The remaining intangible asset is patent licence rights of \$6.5m which represents the historical value of the MotifMicro acquisition less an impairment charge recognised in 2019. The decrease from \$8.4m in 2018 was driven by the independent valuation conducted by Pitcher Partners Sydney Corporate Finance Pty Ltd ('PP') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The independent valuation provided a valuation range between \$5.1m and \$6.5m based on the results from various scenarios. Management established a preferred valuation that yielded a higher valuation of circa \$12.5m. However, the recent events from the global outbreak of COVID-19 has slowed the opportunity pipeline of MotifMicro and therefore management has decided to adopt a carrying value within the valuation range provided by PP of \$6.5m which still reflects the intrinsic value of the licence rights. As a result, an impairment loss of \$2.0m has been recognised to write-down the patent licence rights to \$6.5m. This loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

The \$0.205m remaining balance of the Bracknor convertible equity facility of \$1.836m was repaid in early January 2019. The relationship between the parties has been fully settled and the remaining warrants lapsed.

During 2019, a total of \$5,400,000 was raised via new equity placements to fund the ongoing operations of the company.

The net assets of YPB were \$7,158,000 as at 31 December 2019 (2018: \$6,658,000). Cash at balance date was \$774,000 (2017: \$487,000).

5. Significant Changes in State of Affairs

- 24 March 2019, 173,000 options with an exercise price of \$0.35 expired and 173,000 options with an exercise price of \$0.50 expired.
- 3 April 2019, the Group signed an MOU with LINCD HQ Pty Ltd ("LINCD") to create the YPB token.
- 16 May 2019, Mr. Philip Wade joined YPB as a Non-Executive Director.
- 27 May 2019, one of the world's largest cotton garment makers, Esquel Group, adopted YPB's anti-counterfeit fibre.
- 28 May 2019, 75 million ProtectCodes issued
- 4 June 2019, Mr. Anoosh Manzoori resigned as a Non-Executive Director.
- 18 June 2019, Seppeltsfield Wines signed a Master Services Agreement for the supply of YPB's brand of authenticity solutions for select lines.
- 25 June 2019, Mr. Sebastian Andre appointed as joint Company Secretary.
- 26 June 2019, the token project was terminated.
- 17 July 2019, unlisted 3,800,000 options with an exercise price of \$0.035 expired.
- 19 July 2019, a one year plus a further one-year renewal Master Supply Agreement (MSA) was signed with Halo Labs Inc. (NEO: HALO; OTCQX: AGEEF; FRA: A9KN).
- 29 July 2019, significant milestone of over 100 million proprietary QR Codes ("ProtectCodes" issued to existing customers of the Connect Platform.
- 1 August 2019, \$1,600,000 was raised via a placement to sophisticated and institutional investors. Proceeds from this placement were used for the further development and commercialisation of MotifMicro, business development activities and as general working capital.

- 26 August 2019, Adam Gallagher resigned as the Company Secretary.
- 10 September 2019, new 3-year MSA signed with PT Combiphar, a leading Indonesian pharmaceutical company.
- 12 September 2019, major technical breakthrough; MotifMicro smartphone readability of authentication mark on curved surface and at a distance.
- 16 September 2019, first MotifMicro supply agreement signed with PanPass Inc., China's leading security label supplier.
- 20 September 2019, \$2,500,000 was raised via a placement to sophisticated and institutional investors. Proceeds from this placement were used for the further development and commercialisation of MotifMicro, business development activities and as general working capital.
- 12 November 2019, MotifMicro 1 tracer certified by SGS as safe for food contact under US FDA and China rules.
- 20 November 2019, won first dairy sector contract with exporter, Nature One Dairy. Consumer engagement and serialised authentication solution, Connect, to be embedded in Nature One Dairy's manufactured milk power tins.
- 27 November 2019, US Patent Office formally allows key technology Claims.
- 2 December 2019, OPP Gravure Printing of Thailand signed as an early adopter of MotifMicro technology with a 6-months initial contract with potential upgrade to a 3-year licence term.
- 6 December 2019, \$600,000 was raised via a placement to sophisticated and institutional investors. Proceeds from this placement were used for the further development and commercialisation of MotifMicro, business development activities and as general working capital.
- 16 December 2019, YPB China sales up almost 2 times YTD 2019 to \$233,000, with two new high volume multi-national customers gained in Q4 2019.

6. Future Developments, Prospects and Business Strategies

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

7. Dividends Paid

No dividends have been paid or been recommended for payment in respect of the financial year ended 31 December 2019.

8. Events Subsequent to Balance Date

The following events have occurred since 31 December 2019:

- On 21 February 2020, a loan arrangement amounted to \$220,000 was entered into between one of the key management personnel. The loan is for a tenure of 60 days from the drawdown date, at an interest rate of 8% per annum payable upon the expiry of the loan.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years

9. Directors' & Secretary Experience and Special Responsibilities

John Houston

Executive Chairman

Appointed 31 July 2014

John Houston has over 20 years of international business experience in countries including Australia, New Zealand, Sri Lanka, Thailand, Switzerland and Singapore.

John was the inaugural CEO from pre-listing of the Company until 3 March 2016 and resumed as CEO from 2 July 2017.

John has extensive international experience including building a USD \$2 billion "Greenfield" mobile phone operation in Thailand, running a USD \$350m EBITDA mobile Company in Switzerland, and selling an international Broadband Company for a 70x multiple of EBITDA.

Other current public company directorships: Nil

George (Su) Su

Non-Executive Director

Appointed 31 July 2014

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

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

Other public company directorships held within the last 3 years: Carbon Energy Limited (ASX: CNX) & Oriental Technologies Investment Limited (ASX: OTI)

Gerard Eakin

Non-Executive Director

Appointed 4 March 2016

Mr Eakin has had a 30 year-plus career in Australian equities in both portfolio management and equity research. His focus has been identifying and supporting young companies with superior potential. He is the founder of Manifest Capital Management and manages Australian equity portfolios for a select group of high net worth investors.

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

Other current public company directorships Nil.

Philip Wade
Non-Executive Director
Appointed 16 May 2019

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

He is also Jetstar Airways' Chief Marketing Officer and a Governor of the Cerebral Palsy Alliance.

Previously, he held executive roles in retailing and consumer goods for Target (Wesfarmers) in Australia, and TJX and Unilever in Europe.

Other current public company directorships Nil.

Sebastian Andre
Company Secretary
Appointed 25 June 2019

Mr Sebastian is a Chartered Secretary with eight years of experience as an adviser at the Australia Stock Exchange (ASX). He specializes in providing corporate compliance, governance and administrative advice to companies and their boards.

Mr Andre holds a Bachelor of Commerce in Accounting from Curtin University and is a member of the Governance Institute of Australia.

Anoosh Manzoori
Non-Executive Director
Appointed 19 December 2018 (Resigned 4 June 2019)

Adam Gallagher
Company Secretary
Appointed 16 January 2019 (Resigned 26 August 2019)

Robert Whitton
Company Secretary
Appointed 31 July 2014 (Resigned 16 January 2019)

10. Meetings of Directors

During the period under review, 10 formal board meetings of directors were held. During the period the full Board dealt with all relevant matters and no separate meetings of either the Remuneration or Audit Committees of the Board were held. Attendances by each director during the period were:

Director	Board Meetings	
	Number eligible to attend	Number attended
John Houston	10	10
Gerard Eakin	10	10
George Su	10	10
Anoosh Manzoori	4	3
Philip Wade	6	4

11. Remuneration Report (Audited)

This section presents the nature and amount of remuneration for each director of the Company, and for the executives receiving the highest remuneration.

Remuneration Policy

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

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

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

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

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

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

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

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

Performance Based Remuneration

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

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

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

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

There were no KPIs set for the period under review being the twelve months ended 31 December 2018 and as a result no performance payments were paid or are payable.

Details of Remuneration for the Period Ended 31 December 2019

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

<i>In \$</i>	Short-term Benefits		Post-employment Superannuation benefits	Share-based payments Options & Rights	Total
	Monetary	Non-monetary			
Executive Chairman					
John Houston ¹	179,955	-	-	347,123	527,078
Non-Executive Directors					
George (Su) Su	10,000	-	-	15,000	25,000
Gerard Eakin	45,000	-	-	15,000	60,000
Philip Wade	40,000	-	-	22,000	62,000
Executives					
Adrian Tan (CFO) ²	133,273	131,424	-	-	264,697
Former					
Anoosh Manzoori (Non-Executive Director)	10,000	-	-	-	10,000
Paul Bisso (CTO)	213,356	-	4,743	-	218,099
Gregory O'Shea (COO)	45,962	-	-	-	45,962
	677,546	131,424	4,743	399,123	1,212,836

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

2: The salary of the CFO of \$131,424 for the period January 2019 to December 2019 has been accrued. The salary is expected to be settled by the issue of shares in lieu of cash.

Details of Remuneration for the Period Ended 31 December 2018

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

<i>In \$</i>	Short-term Benefits Monetary	Non- monetary	Post- employment Superannuation benefits	Share- based payments Options & Rights	Total
Executive Chairman					
John Houston	303,571	-	-	-	303,571
Non-Executive Directors					
George (Su) Su	40,000	-	-	-	40,000
Gerard Eakin	200,000	-	-	-	200,000
Anoosh Manzoori	1,398	-	-	-	1,398
Executives					
Adrian Tan (CFO) ³	202,547	30,551	-	18,000	251,098
Gregory O'Shea (COO)	313,157	-	-	-	313,157
Paul Bisso (CTO)	242,247	-	3,075	-	245,322
	<u>1,302,920</u>	<u>30,551</u>	<u>3,075</u>	<u>18,000</u>	<u>1,354,546</u>

3: The salary of the CFO of \$30,551 for period October 2018 to December 2019 has been accrued. The salary is expected to be settled by the issue of shares in lieu of cash.

Additional disclosures relating to key management personnel

Shareholdings

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals /Other	Balance at the end of the year
<i>Group KMP</i>					
John Houston	152,541,801	-	-	-	152,541,801
George (Su) Su	5,623,989	-	-	-	5,623,989
Gerard Eakin	3,928,571	-	-	-	3,928,571
Philip Wade ¹	-	-	-	-	-
Adrian Tan	750,000	-	-	-	750,000
Anoosh Manzoori ²	-	-	-	-	-
Gregory O'Shea ³	-	-	-	-	-
Paul Bisso ⁴	53,098,565	-	-	-	-
	<u>215,942,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,844,361</u>

Notes:

1: Appointed on 16 May 2019

2: Ceased on 4 June 2019

3: Ceased on 14 January 2019

4: Ceased on 2 August 2019

Options

Details of performance rights over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period are as follows:

Rights	Number of rights granted during 2019	Vesting condition	Grant date	Fair value at grant date	Expiry date
John Houston	69,424,658	Employment service condition	20 November 2019	\$0.005	31 December 2020
George (Su) Su	4,000,000	Employment service condition	20 November 2019	\$0.005	31 December 2020
Gerard Eakin	4,000,000	Employment service condition	20 November 2019	\$0.005	31 December 2020
Philip Wade	8,000,000	Employment service condition	20 November 2019	\$0.005	31 December 2020

All rights expire on the earlier of their expiry date or termination of the individual's agreement. For rights granted in the current year, the earliest vesting date is 1 January 2020.

Details of equity instruments affecting current and future remuneration

Details of vesting profiles of the rights held by each key management person of the Group are detailed below.

	Instrument		Grant date	% vested in year	% forfeited in year	Financial year in which grant vests
John Houston	Rights	69,424,658	20 November 2019	-	-	2020
George (Su) Su	Rights	4,000,000	20 November 2019	-	-	2020
Gerard Eakin	Rights	4,000,000	20 November 2019	-	-	2020
Philip Wade	Rights	8,000,000	20 November 2019	-	-	2020

Analysis of movements in equity instruments

The value of performance rights over ordinary shares in the Company granted and exercised by each key management person during the reporting period is detailed below.

	Granted in year (\$)^A	Value of rights exercised in year (\$)
John Houston	347,123	-
George (Su) Su	20,000	-
Gerard Eakin	20,000	-
Philip Wade	40,000	-

(A): The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting periods (i.e 1 April 2019 to 31 March 2020 and 30 June 2020).

Options and performance rights over equity instruments

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

	Held at 1 Jan-19	Granted as compens- ation	Exercised	Lapsed	Held at 31 Dec-19	Vested during the year	Vested and exercisable at 31 Dec- 20
Options							
John Houston	22,222,222	-	-	-	22,222,222	-	22,222,222
George (Su) Su	-	-	-	-	-	-	-
Gerard Eakin	1,000,000	-	-	-	1,000,000	-	1,000,000
Philip Wade	-	-	-	-	-	-	-
John Houston	-	69,424,658	-	-	69,424,658	-	69,424,658
George (Su) Su	-	4,000,000	-	-	4,000,000	-	4,000,000
Gerard Eakin	-	4,000,000	-	-	4,000,000	-	4,000,000
Philip Wade	-	8,000,000	-	-	8,000,000	-	8,000,000

Employment Contracts of Directors and Senior Executives

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

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

The contract which was renewed a further 3-year period after the expiration of the first 3-year period which commenced from the date of the completion of the Share Sale and Purchase Agreement.

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

Other transactions with key management personnel

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

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

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

12. Indemnification of Directors, Officers and Auditor

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

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

13. Insurance Premiums

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

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

14. Non-Audit Services

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

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

15. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2019 will be included on page 22 of this Annual Report.

16. Proceedings on Behalf of Company

Other than as set out below, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

17. Rounding of Amounts

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

18. Total Options on Issue

At the date of this report, there are 343,402,313 options over unissued shares in YPB Group Ltd as set out below:

Number	Exercise price	Expire date
1,000,000	\$0.50	4 March 2020
272,846,758	\$0.025	30 April 2020
5,555,555	\$0.025	31 August 2020
16,000,000	\$0.35	12 December 2026
16,000,000	\$0.45	12 December 2026
16,000,000	\$0.55	12 December 2026
16,000,000	\$0.65	12 December 2026
343,402,313		

Signed in accordance with a resolution of the Board of Directors



John Houston
Executive Chairman and CEO

Dated this 31st day of March 2020

**YPB GROUP LIMITED
ACN 108 649 421
AND ITS CONTROLLED ENTITIES**

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
F: (612) 9263 2800

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of YPB Group Limited. As the lead audit partner for the audit of the financial report of YPB Group Limited for the year ended 31 December 2019, 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.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Dated: 31 March 2020

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Accounting Firms

 PrimeGlobal

Financial Report

31 December 2019

YPB Group Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Revenue	10	1,119	1,987
Expenses			
Production costs		(176)	(635)
Consulting fees		(1,467)	(1,481)
Depreciation and amortisation expense		(223)	(165)
Directors' fees		(160)	(80)
Employee benefits expense		(2,454)	(2,986)
Finance costs		(394)	(65)
Rental expenses		(214)	(359)
Research and development		(319)	(393)
Marketing expense		(313)	(162)
Travelling expense		(277)	(364)
Option expense		(66)	(845)
Share-based payments		(38)	(55)
Regulatory expenses		(180)	(245)
Professional fees		(254)	(414)
Other expenses		(619)	(853)
Exchange gain/(loss)		(64)	1,913
Inventories written-off		-	(52)
Impairment of goodwill and other intangible assets		(2,006)	(2,356)
Loss before income tax benefit	11	(8,105)	(7,610)
Income tax benefit	12	118	332
Loss after income tax benefit for the year attributable to the owners of YPB Group Ltd		(7,987)	(7,278)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		6	(958)
Other comprehensive loss for the year, net of tax		6	(958)
Total comprehensive loss for the year attributable to owners of YPB Group Ltd		(7,981)	(8,236)
		Cents	Cents
Basic earnings per share	33	(0.80)	(1.09)

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

YPB Group Ltd
Consolidated statement of financial position
For the year ended 31 December 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	13	774	487
Trade and trade receivables	14	384	701
Inventories	15	240	282
Total current assets		<u>1,398</u>	<u>1,470</u>
Non-current assets			
Plant and equipment	16	353	184
Intangibles	17	6,500	8,443
Total non-current assets		<u>6,853</u>	<u>8,627</u>
Total assets		<u>8,251</u>	<u>10,097</u>
Liabilities			
Current liabilities			
Trade and other payables	18	1,421	1,572
Deferred revenue	19	-	144
Financial liabilities	20	1,462	1,723
Lease liabilities		141	-
Total current liabilities		<u>3,024</u>	<u>3,439</u>
Non-current liabilities			
Lease liabilities		75	-
Total non-current liabilities		<u>75</u>	<u>-</u>
Total liabilities		<u>3,099</u>	<u>3,439</u>
Net assets		<u>5,152</u>	<u>6,658</u>
Equity			
Issued capital	21	69,126	61,980
Reserves	22	2,499	3,385
Accumulated losses		(66,473)	(58,707)
Total equity		<u>5,152</u>	<u>6,658</u>

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

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2019

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Issued options \$'000	Warrant options reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	49,124	2,091	302	256	1,091	(51,726)	1,138
Loss after income tax benefit for the year	-	-	-	-	-	(7,278)	(7,278)
Other comprehensive loss for the year, net of tax	-	(958)	-	-	-	-	(958)
Total comprehensive loss for the year	-	(958)	-	-	-	(72,78)	(8,236)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of transaction costs	12,856	-	-	-	-	-	12,856
Options lapsed during the year	-	-	(41)	-	-	41	-
Options granted during the year	-	-	845	-	-	-	845
Share-based payments	-	-	-	-	55	-	55
Warrant options issued	-	-	-	(256)	-	256	-
Balance at 31 December 2018	61,980	1,133	1,106	-	1,146	(58,707)	6,658
Balance at 1 January 2019	61,980	1,133	1,106	-	1,146	(58,707)	6,658
Adjustment on initial application of AASB 16, net of tax	-	-	-	-	-	9	9
Adjusted balance at 1 January 2019	61,980	1,133	1,106	-	1,146	(58,698)	6,667
Loss after income tax benefit for the year	-	-	-	-	-	(7,987)	(7,987)
Other comprehensive loss for the year, net of tax	-	6	-	-	-	-	6
Total comprehensive loss for the year	-	6	-	-	-	(7,987)	(7,981)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of transaction costs	5,950	-	-	-	-	-	5,950
Options lapsed during the year	-	-	(212)	-	-	212	-
Options granted during the year	-	-	66	-	-	-	66
Share-based payments	1,146	-	-	-	(746)	-	400
Conversion of Convertible Notes to equity	50	-	-	-	-	-	50
Balance at 31 December 2018	69,126	1,139	960	-	400	(66,473)	5,152

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

YPB Group Ltd
Consolidated statement of cash flows
For the year ended 31 December 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		1,523	2,116
Payments to suppliers and employees		(5,875)	(7,901)
Interest received		3	17
Finance costs		(370)	(48)
Net cash used in operating activities	31	(4,719)	(5,816)
Cash flows from investing activities			
Payments for plant and equipment		(14)	(50)
Payments for intangibles		-	(1,444)
Net cash used in investing activities		(14)	(1,494)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		5,389	7,202
Proceeds from issue of convertible notes		-	1,500
Proceeds from short-term loans		1,000	-
Repayment of short-term loans		(1,000)	-
Repayment of related party loan		-	(102)
Repayment of borrowings		(207)	(1,648)
Payment of lease liabilities		(162)	-
Net cash from financing activities		5,020	6,952
Net increase/(decrease) in cash and cash equivalents		287	(358)
Cash and cash equivalents at the beginning of the financial year		487	845
Cash and cash equivalents at the end of the financial year	13	774	487

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

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2019

1. Reporting entity

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

The Company’s registered office is at Level 29, 66 Goulburn Street, Sydney NSW 2000. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

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

2. Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 31 March 2020.

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

This is the first set of the Group’s annual financial statements in which AASB 16 *Leases* has been adopted. Changes to the significant accounting policies are disclosed in Note 7 *Changes in Significant Accounting Policies*.

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

i. Going concern basis of accounting

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

The Group incurred an operating loss after income tax of \$7,987,000 and had a deficiency of operating cash flows of \$4,719,000 for the year ended 31 December 2019. As at 31 December 2019, the Group has cash and cash equivalents of \$774,000 and a deficiency in net current assets of \$1,626,000.

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

- Confidence in achieving the forecasted sales growth for 2020 based upon the roadmap to develop and commercialise the core YPB products, and continuing to grow the opportunity pipeline in key industries and sectors and ultimately convert into revenue;
- The Group is continuing to take initiatives which aim to reduce operating costs and focus on value-added activities; and
- Reliance on further capital raising activities and short-term loans, of which a \$220,000 short-term loan has been obtained from a related party of the Group post year end.

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

3. Functional and presentational currency

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

4. Rounding of amounts

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

5. Use of judgements and estimates

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

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

Judgements

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

- Note 17 Intangibles

6. Significant accounting policies

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

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

A. Principles of consolidation

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

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

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

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

ii. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2019

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method);
- the acquisition date fair value of any previously held equity interest; and
- over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

B. Revenue and other income

The Group considers the following for revenue recognition:

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

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

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

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

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2019

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

- Digital engagement platform;
- Covert forensic products;
- Forensic laboratory and Security consulting services; and
- Retail anti-theft and labelling solutions.

Digital engagement platform

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

Covert forensic products

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

Forensic laboratory and Security consulting services

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

Retail anti-theft and labelling solutions

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

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

Interest revenue is recognised using the effective interest method.

C. Foreign currency transactions and balances

i. Functional and presentation currency

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

ii. Transactions and balances

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

iii. Group companies

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

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

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

D. Employee benefits

i. Short-term employee benefits

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

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

ii. Share-based payment arrangements

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

E. Finance income and finance costs

The Group's finance income and finance costs include:

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

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

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

F. Income tax

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

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

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

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

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

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

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

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

G. Tax consolidation

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

H. Inventories

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

I. Plant and equipment

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

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

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

i. Depreciation

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

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

- Plant and equipment 10% - 33%

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

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

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

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

J. Intangible assets and goodwill

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Amortisation

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

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

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

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

K. Financial instruments

i. Initial Recognition and measurement

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

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

ii. Classification and subsequent measurement

Financial assets

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

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

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

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

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

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

Financial liabilities

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

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

iv. Offsetting

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

L. Share Capital

i. Ordinary shares

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

M. Compound financial instruments

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

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

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

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

N. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

ii. Non-financial assets

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

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

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

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

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

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

O. Provisions

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

P. Leases

The Group has adopted AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 17 and IFRIC 4. The details of accounting policies under AASB 17 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfer ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination options or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense in the statement of profit or loss on a straight-line basis over the lease term.

i. As a lessee

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Q. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximises the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised on profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7. Changes in Significant accounting policies

The Group adopted AASB 16 Leases from 1 January 2019.

AASB 16 Leases

The Group adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under AASB 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

As a lessee

The Group leases mainly properties. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Impact on financial statements

i. Impact on transition

On transition to AASB 16, the Group recognised right-of-use assets, and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
	\$'000
Right-of-use assets – plant and equipment	381
Lease liabilities	372
Retained earnings	9

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The borrowing rate applied is 10%.

	1 January 2019
	\$'000
Operating lease commitments at 31 December 2018 as disclosed under AASB 17 in the Group's consolidated financial statements	655
Discounted using the incremental borrowing rate at 1 January 2019	520
Recognition exemption for leases with less than 12 months of lease terms at transition	(148)
Extension options reasonably certain to be exercised	-
Lease liabilities recognised at 1 January 2019	372

8. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations is not significant in the preparation of the financial statements for the year ended 31 December 2019.

9. Operating segments

Identification of reportable operating segments

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

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

Types of products and services

For the year ended 31 December 2019, management considers the company to offer its client base a complete end-to-end service and product offering, hence considering its main operations to be represented by one business segment apart from a specialised anti-counterfeit printing operation.

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

- Digital engagement platform that provides brand engagement with end consumers to promote product authenticity;
- Covert forensic products which are invisible particles ('tracers') fused into a product or packaging during or after the manufacturing process and are detectable using YPB's proprietary scanner;
- Forensic laboratory services for the examination of counterfeit products;
- Security consulting services provided to governments, corporations and intellectual property owners for the deterrence of counterfeiting, grey markets, product diversions and fraud; and
- Retail anti-theft and labelling solutions effective for mainstream retailers, boutiques and exporters to protect against theft. This business unit ceased during the second half of 2019.

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The specialised printing operation provided its customers with a dedicated product range, however this segment ceased in late 2017 with no further activities in 2018.

Consolidated - 2019	Print Solutions \$'000	Other segments \$'000	Total \$'000
Revenue			
Sales to external customers	-	1,116	1,116
Interest revenue	-	3	3
Total revenue	-	1,119	1,119
 EBITDA	-	(5,482)	(5,482)
Depreciation and amortisation	-	(223)	(223)
Impairment of assets	-	(2,006)	(2,006)
Finance costs	-	(394)	(394)
Loss before income tax benefit	-	(8,105)	(8,105)
Income tax benefit			118
Loss after income tax benefit			(7,987)

Consolidated - 2019	Print Solutions \$'000	Other segments \$'000	Total \$'000
Assets			
Segment assets	-	8,251	8,251
Total assets			8,251
 Liabilities			
Segment liabilities	3	3,096	3,099
Total liabilities			3,099

Consolidated - 2018	Print Solutions \$'000	Other segments \$'000	Total \$'000
Revenue			
Sales to external customers	-	1,970	1,970
Interest revenue	-	17	17
Total revenue	-	1,987	1,987
 EBITDA	(4)	(4,968)	(4,972)
Depreciation and amortisation	-	(165)	(165)
Impairment of assets	-	(2,356)	(2,356)
Inventory written off	-	(52)	(52)
Finance costs	-	(65)	(65)
Loss before income tax benefit	(4)	(7,606)	(7,610)
Income tax benefit			332
Loss after income tax benefit			(7,278)

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Assets

Segment assets	-	10,097	10,097
Total assets			10,097

Liabilities

Segment liabilities	3	3,436	3,439
Total liabilities			3,439

Geographical information

	Sales to external customers		Geographical assets	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Australia	285	883	808	445
People's Republic of China	344	164	400	596
Thailand	284	494	515	486
United States of America	206	446	6,528	8,570
	1,119	1,987	8,251	10,097

10. Revenue

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Revenue</i>		
Sale of goods and services	1,029	1,970
<i>Other revenue</i>		
Interest	3	17
Other income	87	-
	1,119	1,987

11. Loss for the period

The loss for the period includes the following expenses:

	Consolidated	
	2019	2018
	\$'000	\$'000
Finance costs	394	65
Research and development costs	319	393
Depreciation and amortisation	223	165
Inventories written off	-	52
Impairment of goodwill and other intangible assets	2,006	2,356
Rental expense	214	359
	3,156	3,390

12. Income tax benefit

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(8,105)	(7,610)
Tax at the statutory tax rate 27.5% (2018: 30%)	(2,229)	(2,283)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
• Offshore expenses not deductible	127	166
• Non-allowable expenses	627	178
• Share options expensed during the year	18	253
• Share-based payments expensed during the year	10	16
• Tax losses not recognised	1,488	1,551
	41	(119)
Difference in overseas tax rates	(41)	125
Research and development tax incentive	(118)	(338)
Income tax benefit	(118)	(332)

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Deferred tax assets have not been recognised in respect of the following items:</i>		
• Deductible temporary differences	150	113
• Tax losses	8,915	6,924
	9,065	7,037

13. Cash and cash equivalents

	Consolidated	
	2019	2018
	\$'000	\$'000
Cash on hand	2	3
Cash at bank	772	484
	774	487

14. Trade and other receivables

	Consolidated	
	2019	2018
	\$'000	\$'000
Trade receivables	128	468
Less: Allowance for doubtful debts	(56)	(54)
	72	414
Other receivables	312	287
	384	701

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2019 is determined as follows; the expected credit losses incorporating forward-looking information.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Expected loss rate	1.4%	5%	24.5%	92.9%	-
Gross carrying amount	60	5	7	56	128
Loss allowing provision	(1)	(1)	(2)	(52)	(56)
2018					
Expected loss rate	0.3%	6.9%	26.3%	75.9%	-
Gross carrying amount	347	29	38	54	468
Loss allowing provision	(1)	(2)	(10)	(41)	(54)

15. Inventories

	Consolidated	
	2019	2018
	\$'000	\$'000
Finished goods – at cost	312	282
Less: Allowance for slow-moving inventories	(72)	-
	240	282

During the year, the Group recorded an allowance for slow-moving inventories related to the closure of the retail anti-theft business.

16. Plant and equipment

	Consolidated	
	2019	2018
	\$'000	\$'000
Plant and equipment – at cost	804	521
Accumulated depreciation	(451)	(337)
	353	184

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Reconciliations

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

Consolidated	Right-of-use assets \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 January 2018	-	197	197
Additions	-	50	50
Disposals	-	(1)	(1)
Depreciation	-	(79)	(79)
Effects of movements in exchange rates	-	17	17
Balance at 31 December 2018	-	184	184
Balance at 1 January 2019	-	184	184
Recognition of right-of-use asset on initial adoption of AASB 16	381	-	381
Adjusted balance at 1 January 2019	381	-	565
Additions	-	14	14
Disposals	-	-	-
Depreciation	(147)	(76)	(223)
Effect of movement in exchange rates	-	(3)	(3)
Balance at 31 December 2019	234	119	353

17. Intangibles

	Consolidated	
	2019 \$'000	2018 \$'000
Goodwill – at cost	3,089	3,089
Less: Accumulated impairment losses	(3,089)	(3,089)
	-	-
Intellectual property – at cost	16,250	16,250
Less: Accumulated amortisation	(4,942)	(4,942)
Less: Accumulated impairment losses	(11,308)	(11,308)
	-	-
Customer relationship – at cost	206	206
Less: Accumulated amortisation	(28)	(28)
Less: Accumulated impairment losses	(178)	(178)
	-	-
Patent licence rights – at cost	8,506	8,443
Less: Accumulated impairment losses	(2,006)	-
	6,500	8,443

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Reconciliations

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

Consolidated	Goodwill \$'000	Intellectual property \$'000	Patent licence rights \$'000	Total \$'000
Balance at 1 January 2018	-	2,334	6,781	9,115
Additions	-	-	851	851
Effect of movement in exchange rates	-	107	811	918
Impairment loss	-	(2,356)	-	(2,356)
Amortisation expense	-	(85)	-	(85)
Balance at 31 December 2018	-	-	8,443	8,443
Balance at 1 January 2019	-	-	8,443	8,443
Additions	-	-	-	-
Effect of movement in exchange rates	-	-	63	63
Impairment loss	-	-	(2,006)	(2,006)
Amortisation expense	-	-	-	-
Balance at 31 December 2019	-	-	6,500	6,500

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

Intellectual Property

In 2018, in reviewing the recoverable amount of the intellectual property, the carrying value was written to nil due to overhauls on the Group's core products and upgrades to the underlying technologies.

Patent Licence Rights

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

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

As the technology is still in the development phase and not commercially available for use, the patent licence rights have not been amortised. The progress of the MotifMicro development in 2019 was advanced through a number of technological achievements together with two customers that signed first-adopter agreements to expedite its commercialisation in the market. The company is pursuing further opportunities to commercially release MotifMicro in the near future.

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An independent valuation was conducted by Pitcher Partners Sydney Corporate Finance Pty Ltd ('PP') to perform a Value in Use ('VIU') valuation of the patent licence rights of MotifMicro. The independent valuation provided a valuation range between \$5.1m and \$6.5m based on the results from various scenarios. Management also examined other alternative scenarios with a preferred valuation that yielded a higher valuation of circa \$12.5m after adjusting the WACC and the revenue probability weightings on one of PP's scenarios.

Notwithstanding, management's view that there is a basis for their preferred valuation the opportunity pipeline of MotifMicro has slowed down following the recent events from the global outbreak of COVID-19 on the business. Therefore, management has decided to adopt a carrying value within the valuation range provided by PP of \$6.5m which still reflects the intrinsic value of the licence rights. As a result, an impairment loss of \$2m has been recognised to write-down the patent licence rights to \$6.5m. This loss can be reversed in future accounting periods to the extent that future recoverable amounts support a higher carrying value.

The following key assumptions and results arising from the VIU methodology included in the PP report are as follows:

- Revenue growth from conversion of sales pipeline of \$4.8m for FY2020 with an annual long-term growth rate of 14% that follows the industry growth rate;
- EBITDA of \$1.93m to be achieved by the end of FY2020;
- Discounted cash flow modelling based on the remaining life of patent licence rights of 15 years with no terminal value;
- A WACC of 50% assuming a long-term debt/equity ratio of nil; and
- The group securing sufficient funding to continue as a going concern.

18. Trade and other payables

	Consolidated	
	2019	2018
	\$'000	\$'000
Trade payables	781	979
Other payables and accruals	640	593
	<u>1,421</u>	<u>1,572</u>

19. Deferred revenue

	Consolidated	
	2019	2018
	\$'000	\$'000
Deferred revenue	-	144

20. Financial liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
Convertible notes (Bracknor facility) – (i)	-	205
Convertible notes (Sophisticated investors) – (ii)	1,462	1,518
	<u>1,462</u>	<u>1,723</u>

(i): On 2 January 2019, the Group made repayments totalling \$205,000 (US\$145,000) along with a signed deed that released and discharged the Group from any further obligations including the warrants outstanding.

(ii): In November 2018, the Group issued convertible loan notes with an aggregate face value of \$1,500,000 to sophisticated investors. These convertible notes will accrue interest on its face value daily at an interest rate of 10% per annum, and the noteholders may elect by issuing a conversion notice to the Group to convert the note on or prior to, the maturity date of 22 October 2021.

On 21 February 2019, one of the convertible loan note holders elected to convert the principal sum of \$50,000 into Ordinary Shares.

As at 31 December 2019, \$12,000 (2018: \$18,000) of convertible loan notes interest was accrued.

21. Equity – Issued Capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	1,694,369,386	799,277,924	69,126	61,980

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 January 2018	399,463,400	49,124
Issued as part of asset purchase	10 January 2018	72,392,660	3,402
Share placement	22 January 2018	73,005,259	3,325
Conversion of debt to equity	22 January 2018	10,972,131	500
Share placement	31 January 2018	2,689,851	122
Issuance as payment to service provider	15 February 2018	500,066	18
Share placement	5 March 2018	64,356,622	1,221
Issuance as payment to service provider	5 March 2018	1,428,571	50
Share placement	27 March 2018	31,342,857	1,097
Issuance as payment to service provider	12 April 2018	357,077	12
Issued under share-based payments	30 June 2018	1,955,142	-
Share placement	18 July 2018	3,800,000	135
Issued under share-based payments	29 August 2018	321,371	-
Share placement	5 September 2018	90,910,251	1,636
Conversion of debt to equity	30 October 2018	22,222,222	400
Issued as part of asset purchase	30 October 2018	23,560,444	1,272
Less: Transaction costs on shares issued, net of tax		-	(334)
Balance	31 December 2018	<u>799,277,924</u>	<u>61,980</u>

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Details	Date	Shares	\$'000
Balance	1 January 2019	799,277,924	61,980
Re-classification of share-based payments for shares issued in prior periods		-	1,146
Conversion of Performance Rights	11 January 2019	2,100,000	38
Share placement	20 February 2019	110,000,000	1,100
Conversion of convertible notes	1 March 2019	5,555,555	50
Share placement	6 August 2019	224,105,083	1,600
Issuance as payment to service provider	6 August 2019	8,800,000	88
Share placement	27 September 2019	357,142,857	2,500
Share placement	10 December 2019	100,000,000	600
Issuance as payment to service provider	10 December 2019	87,387,967	436
Less: Transaction costs on shares issued, net of tax		-	(412)
Balance	31 December 2019	<u>1,694,369,386</u>	<u>69,126</u>

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

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

22. Reserves

	Note	Consolidated	
		2019	2018
		\$'000	\$'000
Issued options reserve	(a)	960	1,106
Share-based payment reserve	(b)	400	1,146
Foreign currency translation reserve	(c)	1,139	1,133
		<u>2,499</u>	<u>3,385</u>

(a) Issued options reserve

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

Details	Date	Options	\$'000
Balance	1 January 2018	72,534,000	302
Options lapsed	27 April 2018	(228,000)	(5)
Options issued under share placement	18 July 2018	3,800,000	13
Options lapsed	1 August 2018	(560,000)	(8)
Options lapsed	27 October 2018	(400,000)	(28)
Options issued	30 October 2018	120,769,473	805
Options issued	04 December 2018	6,363,000	27
Balance	31 December 2018	<u>202,278,473</u>	<u>1,106</u>

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Details	Date	Options	\$'000
Balance	1 January 2019	202,278,473	1,106
Options lapsed	28 February 2019	(6,000,000)	(199)
Options issued	1 March 2019	5,555,555	6
Options lapsed	24 March 2019	(346,000)	(1)
Options lapsed	17 July 2019	(3,800,000)	(13)
Options issued	6 August 2019	110,000,000	60
Options issued	10 December 2019	35,714,285	1
Balance	31 December 2019	<u>343,402,313</u>	<u>960</u>

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

Volatility	Between 88.83% and 103.84%
Risk-free rate	Between 3.32% and 3.59%
Weighted average terms (years)	0.98
Weighted average remaining life at 31 December 2019 (years)	0.34

Details on options issued during the year are as follow:

Details	Issue date	Exercise price	Expiry date	Value per option
Options issued	1 March 2019	\$0.025	31 August 2020	\$0.001
Options issued	6 August 2019	\$0.025	30 April 2020	\$0.0005
Options issued	10 December 2019	\$0.025	30 April 2020	\$0.00003

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

(b) Share-based payment reserve

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

Details	Date	\$'000
Balance	1 January 2018	1,091
Issued under share-based payments	30 June 2018	48
Issued under share-based payments	29 August 2018	7
Balance	31 December 2018	<u>1,146</u>
Balance	1 January 2019	1,146
Reclassification of share-based payments for shares issued in prior periods		(1,146)
Performance Rights issued under share-based payments	18 December 2019	400
Balance	31 December 2019	<u>400</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.

23. Capital management

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

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

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

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

	Note	Consolidated	
		2019	2018
		\$'000	\$'000
Total borrowings	20	1,462	1,723
Less: Cash and cash equivalents	13	(774)	(487)
Net debt		688	1,236
Total equity		7,158	6,658
Total capital		7,846	7,894
Gearing ratio		9%	16%

24. Financial instruments

Financial risk management

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

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

i. Risk Management framework

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

ii. Credit risk

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

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Trade receivables

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

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

At 31 December 2019, the exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount	
	2019	2018
	\$'000	\$'000
Australia	6	49
People's Republic of China	41	80
Thailand	27	250
United States of America	54	89
	<u>128</u>	<u>468</u>

Refer to Note 14 on Expected Credit Loss assessment for trade receivables.

Cash and cash equivalents

As at 31 December 2019, the Group held cash and cash equivalents of \$774,000 (2018: \$487,000). The cash and cash equivalents are held with bank, which are AA1- to AA+, based on S&P ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

iii. Liquidity risk

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

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

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

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	Carrying amount	1 year or less	Between 1 and 5 years
Consolidated - 2019			
Trade and other payables	1,421	1,421	-
Convertible loan notes	1,462	12	1,450
Lease liabilities	216	187	110
	<u>3,099</u>	<u>1,620</u>	<u>1,560</u>
Consolidated - 2018			
Trade and other payables	1,572	1,572	-
Convertible loan notes	1,518	18	1,500
Convertible loan facility (Bracknor)	205	205	-
	<u>3,295</u>	<u>1,795</u>	<u>1,500</u>

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

iv. Market risk

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

Currency risk

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

Exposure to currency risk

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

	RMB \$'000	THB \$'000	USD \$'000
Consolidated - 2019			
Cash and cash equivalents	357	537	2
Trade and other receivables	400	4,935	-
Trade and other payables	(287)	(1,836)	(6)
	<u>470</u>	<u>3,636</u>	<u>(4)</u>
Consolidated - 2018			
Cash and cash equivalents	413	387	30
Trade and other receivables	386	5,730	63
Trade and other payables	(706)	(894)	(90)
	<u>93</u>	<u>5,223</u>	<u>3</u>

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Sensitivity Analysis

Based on the financial instruments held at 31 December 2019, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been \$1,000 lower/higher (2018: \$1,000 lower/higher).

Had the Australian dollar weakened/strengthened by 10% against the Renminbi with all other variable held constant, the Group's post-tax profit for the period would have been \$10,000 higher/lower (2018: \$2,000 higher/lower).

Had the Australian dollar weakened/strengthened by 10% against the Thai Baht with all other variables held constant, the Group's post-tax profit for the period would have been \$16,000 higher/lower (2018: \$23,000 higher/lower).

v. Fair value of financial instruments

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

25. Key management personnel disclosures

Directors

The following persons were directors of YPB Group Limited during the financial year ended 31 December 2019:

John Houston (Executive Chairman)
Su (George) Su
Gerard Eakin
Philip Wade (appointed 16 May 2019)
Anoosh Manzoori (resigned 4 June 2019)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year ended 31 December 2019:

Adrian Tan (Chief Financial Officer)
Greg O'Shea (Chief Financial Officer – resigned 14 January 2019)
Paul Bisso (Chief Technology Officer – resigned 2 August 2019)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the years ended 31 December 2019 and 2018.

Compensation

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

	Consolidated	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	807	1,334
Post-employment benefits	5	3
Share-based payments	400	18
	<u>1,212</u>	<u>1,355</u>

Short-term employee benefits

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

Share-based payments

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

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the years ended 31 December 2019 and 2018.

26. Remuneration of auditor

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

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services</i>		
• Audit or review of the financial report	<u>83,500</u>	<u>108,075</u>
<i>Component auditors</i>		
• Audit or review of the financial report	<u>19,035</u>	<u>18,308</u>

27. Leases

Leases as lessee (AASB 16)

The Group leases office space in Thailand and the lease run for a period of three years, with an option to renew the lease for a further three years after that date. Lease payments are renegotiated prior to the expiry of the lease term to reflect market rentals.

The office lease was entered into during 2018 and were previously classified as operating leases under AASB 117.

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The Group also leases office and warehouse in China and Australia with contract terms of month-on-month basis to one year. These leases are short-term and therefore not required to be recognised as right-of-use assets.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties are presented as plant and equipment (see Note 16).

ii. Amounts recognised in profit or loss

	2019 \$'000
2019 – Leases under AASB 16	
Depreciation	147
Interest on lease liabilities	30
Expenses relating to short-term leases	214
	<u>391</u>
2018 – Operating leases under AASB 117	
Lease expense	<u>359</u>

iii. Amounts recognised in statement of cash flows

	2019 \$'000
Total cash outflow for leases	<u>162</u>

iv. Extension options

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in the lease liability by \$443,000. As at 31 December 2019, the Group is not expected to exercise these options.

Operating lease commitments

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made after the reporting date.

	Consolidated 2019 \$'000	2018 \$'000
Within one year	44	342
Later than one year but not later than five years	-	313
	<u>44</u>	<u>655</u>

28. Related parties transactions

Parent entity

YPB Group Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 30.

Key management personnel transactions

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

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

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

Transaction	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Manifest Capital Management Pty Ltd (related entity of Gerard Eakin)</i>				
Investor relations	35	130	22	32
Capital raise fee	-	50	-	-
	<u>35</u>	<u>180</u>	<u>22</u>	<u>32</u>
<i>First Growth Funds Limited (related entity of Anoosh Manzoori)</i>				
Success fee on facilitation of the convertible loan note to sophisticated investors	-	90	-	-
	<u>35</u>	<u>270</u>	<u>22</u>	<u>32</u>

29. Parent entity information

As at, and throughout, the financial year ended 31 December 2019, the parent entity of the Group was YPB Group Limited.

	Parent	
	2019 \$'000	2018 \$'000
Result of the parent entity		
Loss for the year	(4,988)	(3,877)
Total comprehensive income for the period	<u>(4,988)</u>	<u>(3,877)</u>
Financial position of the parent entity at year end		
Current assets	791	472
Total assets	<u>33,338</u>	<u>32,887</u>
Current liabilities	1,188	1,137
Total liabilities	<u>2,650</u>	<u>2,860</u>
Total equity of the parent entity comprising of:		
Issued capital	74,163	67,017
Share options & warrant options reserve	960	1,106
Share-based payment reserve	400	1,146
Accumulated losses	<u>(44,835)</u>	<u>(39,242)</u>
Total equity	<u>30,688</u>	<u>30,027</u>

Parent entity guarantees in respect of the debts of its subsidiaries

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

Parent entity contingent liabilities

There were no contingent liabilities as at 31 December 2019 (2018: nil).

Contractual commitments

There were no contractual commitments as at 31 December 2019 which is related to the parent entity (2018: nil).

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30. Interest in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
YPB Limited (HK)	Hong Kong	100%	100%
YPB Technology (Beijing) Limited	People's Republic of China	100%	100%
Product ID & Quality Systems (Beijing) Ltd	People's Republic of China	100%	100%
Brand Reporter Pty Ltd	Australia	100%	100%
YPB Group (USA) Inc	USA	100%	100%
YPB Intellectual Product Protection Inc	USA	100%	100%
YPB Print Solutions Inc	USA	100%	100%
YPB Group Co., Ltd	Thailand	100%	100%
YPB Group International Co., Ltd	Thailand	100%	100%
nTouch Holdings Pty Ltd	Australia	100%	100%
nTouch Agency Pty Ltd	Australia	100%	100%
nTouch Pty Ltd	Australia	100%	100%
nTouch IP Pty Ltd	Australia	100%	100%
Wall Mall Pty Ltd	Australia	100%	100%
YPB Product Development Pty Ltd	Australia	100%	100%

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

	Consolidated	
	2019 \$'000	2018 \$'000
Loss after income tax benefit for the year	(7,987)	(7,278)
Adjustments for:		
Foreign exchange differences	(77)	(1,456)
Depreciation and amortisation expense	223	165
Inventories written off	-	52
Impairment of goodwill & other intangible assets	2,006	2,356
Options expense	67	845
Share-based payments	38	55
Finance costs	25	17
Equity-settled transactions	850	-
Provision for slow-moving stocks	72	-
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade and other receivables	317	(193)
Decrease/(increase) in inventories	42	1
(Decrease)/increase in deferred revenue	(144)	(96)
(Decrease)/increase in trade and other payables	(151)	(284)
Net cash used in operating activities	(4,719)	(5,816)

32. Subsequent events

The following events have occurred since 31 December 2019:

- On 21 February 2020, a loan arrangement amounted to \$220,000 was entered into between one of the key management personnel. The loan is for a tenure of 60 days from the drawdown date, at an interest rate of 8% per annum payable upon the expiry of the loan.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

33. Earnings per share

	Consolidated	
	2019	2018
	\$'000	\$'000
Loss after income tax attributable to the owners of YPB Group Limited	(7,987)	(7,278)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	998,465,494	664,942,198
Weighted average number of ordinary shares used in calculating diluted earnings per share	998,465,494	664,942,188
	Cents	Cents
Basic earnings per share	(0.80)	(1.09)

Due to losses of the Group, diluted earnings per share have not been presented.

YPB Group Ltd
Notes to the financial statements
For the year ended 31 December 2019

34. Company details

The registered office of the Company is:

YPB Group Limited
Level 29, 66 Goulburn Street
Sydney, NSW 2000
Australia

The principal places of business are:

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

A2 Building-East
BEX R&D Center
No. 9 Jiuxianqiao Road
Chaoyang District
Beijing 100016
People's Republic of China

Directors' Declaration

1. In the opinion of the directors of YPB Group Limited (the "Company"):
 - a. the consolidated financial statements and notes that are set out on pages 24 to 66 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 259A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2019.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



John Houston
Director

Dated this 31st day of March 2020

**YPB GROUP LIMITED
ACN 68 108 649 421
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
YPB GROUP LIMITED AND CONTROLLED ENTITIES**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the financial report of YPB Group Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and the directors' declaration.

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

- i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(i) in the financial report, which indicates that the group incurred a net loss after tax of \$7,987,000 during the year ended 31 December 2019 and as of that date, the group's current liabilities exceeded its current assets by \$1,626,000. As stated in Note 2(i), these events or conditions, along with other matters as set forth in Note 2(i), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 PrimeGlobal

**YPB GROUP LIMITED
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Patent License Rights (\$6,500K) <i>Refer to Note 17 Intangible Assets</i>	
The recoverability of patent license rights is a key audit matter as Intangible assets comprise circa 78% of the Group's total assets. The group acquired the Micro Motif technology in December 2017. The technology is still in the development phase and is not yet commercially available for use which has increased the uncertainty of forecasted cash flows and delayed the crystallisation of revenue pipelines. The recoverable amount of the Group's patent license rights is based on an independent valuation. We have applied a significant level of judgement when considering the independent valuer's assessment of the carrying value.	Our procedures included, amongst others: • We read the patent license agreement to understand the key terms and conditions. • We assessed the methodologies and assumptions of the independent valuation to determine the carrying value of the patent license rights. • We assessed the methodology and assumptions adopted by management in their assessment of the carrying value of the patent license rights. • With the assistance of Hall Chadwick's valuation specialists, we challenged management's and the independent valuer's methodologies, discount rates, and growth rates. This included comparing the group's inputs to external data such as revenue multiples, EBITDA margins and WACC rates. • We assessed the adequacy of the group's disclosures in relation to patent license rights.

Information other than the Financial Report and Auditors Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If,

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
YPB GROUP LIMITED AND CONTROLLED ENTITIES**

based on the work we have performed, we conclude that there is a material misstatement of the 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 Australia Accounting Standards and the Corporations Act 2001 and for such internal control as 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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. We also:

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

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

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

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 19 of the directors' report for the year ended 31 December 2019.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
YPB GROUP LIMITED AND CONTROLLED ENTITIES**

Opinion

In our opinion the remuneration report of YPB Group Limited for the year ended 31 December 2019 complies with s 300A of the Corporations Act 2001.

Responsibilities

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Dated: 31 March 2020

Shareholder Information

Distribution of holders

The number of holders and number of holdings by a range of holding sizes of the ordinary shares and options as at 31 March 2020 are detailed below:

Holding size	Shares	
	No. of holders	No. of shares held
1 to 1,000	123	11,921
1,001 to 5,000	103	316,963
5,001 to 10,000	125	1,103,039
10,001 to 100,000	656	36,179,366
100,001 and over	1,056	1,656,758,097
	2,063	1,694,369,386

Number of holding less than a marketable parcel of 1,315.

Substantial shareholders

The names of substantial shareholders listed in the Company's register as at 31 March 2020 are:

	No. of shares held
HSBC Custody Nominees (Australia) Limited	104,172,141
The Bimm Corporation Pty Ltd	90,372,322
JF Houston Holdings Pty Ltd	62,169,479
Mr Paul Bisso	53,098,565
Mr Patrick Doyle	47,976,551

Voting rights

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

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

Unlisted options

Unlisted options as at 31 March 2020 are as follows:

Unlisted Option Exercise \$0.50 Expiry 4 March 2020
Unlisted options \$0.025 exp 31 August 2020
Unlisted Options Exercise \$0.35 Expiry 12 December 2026
Unlisted Options Exercise \$0.45 Expiry 12 December 2026
Unlisted Options Exercise \$0.55 Expiry 12 December 2026
Unlisted Options Exercise \$0.65 Expiry 12 December 2026

Holding size

Holding size	Options	
	No. of holders	No. of shares held
1 to 100,000	-	-
100,001 and over	3	70,555,555
	3	70,555,555

Top 20 Ordinary Shareholders as at 31 March 2020

	No. of shares held
HSBC Custody Nominees (Australia) Limited	104,172,141
The Bimm Corporation Pty Ltd	90,372,322
JF Houston Holdings Pty Ltd	62,169,479
Mr Paul Bisso	53,098,565
Mr Patrick Doyle	47,976,551
Mr Evan Philip Clucas & Ms Leanne Jane Weston	29,324,234
Mr Ronald Langley	29,215,213
Mr Ronald Langley & Mrs Rhonda Langley	26,250,000
Ack Pty Ltd	22,564,103
4 Eyes Limited	22,000,000
Leet Investments Pty Limited <Superannuation Fund A/C>	18,000,000
Aust Executor Trustees Ltd	16,648,737
Mr Mark Andrew Tkocz	16,204,256
Cashmere Nominees Pty Ltd	15,000,000
Leet Investments Pty Limited	13,597,326
Mr Sean Patrick Mulqueeney	13,500,000
Mr Sewa Singh	13,000,000
Mr Paul Klumper	12,000,000
Mr Gangadhar Bevinakoppa	12,000,000
Euthenia Tyche Pty Ltd	11,775,568
	628,868,495
Balance of register	1,065,500,891
Total	1,694,369,386

Top 20 Unlisted Options holders as at 31 March 2020

	No. of option held
Ack Pty Ltd	64,000,000
Kentgrove Capital Pty Ltd	5,555,555
Waterbear Holdings Pty Ltd	1,000,000
	70,555,555
Balance of register	-
Total	70,555,555

On-market buy back

There is currently no on-market buy back.

Corporate Directory

Registered Office

Level 29, 66 Goulburn Street
Sydney, NSW 2000
ABN: 68 108 649 421
Telephone: +61 (2) 8263 4000
Facsimile: +61 (2) 8263 4111

Mailing address

PO Box H215
Australia Square
NSW 1215

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, NSW 2000
Telephone: 1300 737 760
Facsimile: 1300 653 459
Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Auditors

Hall Chadwick
Level 40, 2 Park Street
Sydney, NSW 2000
Telephone: +61 (2) 9263 2600
Facsimile: +61 (2) 9263 2800

Stock Exchange Listing

The shares of YPB Group Limited are listed on the Australia Stock Exchange.
ASX Code: YPB
Website: www.asx.com.au

Directors

John Houston
George (Su) Su
Gerard Eakin
Philip Wade

Company Secretary

Sebastian Andre