YPB Group Limited

ACN 108 649 421

Annual Report

31 December 2018

Contents

Executive Chairman and CEO's Report to Shareholders

Dear Shareholders,

I am pleased to present our Annual Report for the 2018 financial year ended 31 December 2018. It has been a year where some significant progress especially with the complete rebuild of the management team under me and with break-through moments in some areas of our business. The gains we have made in 2018 in order to set us on the path to profitability in 2019, have been overshadowed by the disappointment in the deterioration of the company's share price. However, YPB remains determined to deliver for our shareholders in a market that now is ready for our solutions to fight fakes and connect with consumers, especially with our smartphone technology Motif Micro.

2018 Highlights:

Motif Micro smart phone readability
In August 2018 we announced that we had achieved the first major milestone in commercialising Motif Micro, our world-leading materials technology. Motif Micro is an MIT patented technology for which YPB owns the global licencing rights. The technology involves nano particles that can be applied to or embedded in a range of materials such as cardboards, paper, plastics, inks etc. and thus all manner of product packaging that allows the smartphone to determine if the Motif Micro material is present or not. In 2018 we achieved readability by IOS smartphones. This is our "iPhone moment" ahead of taking the next steps in commercialising the technology globally in 2019.

During 2018, Motif Micro readability was achieved on flat surfaces with the iPhone held directly against the material being read and that in itself was a major technical achievement and a worldwide breakthrough. The next technical milestone which will allow commercialisation is curved surface readability allowing bottles, containers and other nonlinear surfaces to be read by a smartphone. We are also prepared to release an Android version of the reader App. Following the last capital raise we are on-track to achieve this next milestone in 2019.

Subsequent technical milestones then move beyond simple "yes/no" readability to being able to identify individual brands, products and eventually unit level serialisation. At that point YPB will have won the race to deliver the cheapest, most versatile, physical unclonable, easily applied product authentication solution in the world. This is our medium-term objective for Motif Micro and a key driver in the future value of YPB.

Closing the cashflow gap
As per the commentary provided with the Appendix 4E and financial results released 28 February 2019, we are pleased that the operational cash shortfall reduced in the 2018 year as the cuts made over the last 18 months took effect. We have recently made some further reductions; however, these are partially offset by two new key sales hires that we expect will enable continued reductions in the cash shortfall through their anticipated contributions to the revenue line in 2019. We have a highly talented team which is committed to seeing the company through to profitability. On a realistic case we expect that the Company will achieve profitability on a monthly run-rate basis by the end of the 2019 calendar year.

Overhaul of sales and marketing team
We significantly enhanced and streamlined our sales and marketing team over the course of 2018 with a renewed energy and focus driven by several key hires and improved sales management. We reduced our overall headcount and concentrated our efforts on key sales prospects that we believe have a real and present need for our product authenticity and engagement solutions. Lack of sales and revenue traction were key disappointments which led to departure of the Chief Operating Officer.

We also reinvigorated a number of channel partners that had formerly been in want of direction and management that are now actively engaged in our sales funnel introducing new leads and other contacts. We have also made great progress in Productising our offerings to make them more saleable by our own team and also key existing channel partners who started to generate revenues in 2018 with YPB's tracer technology. I can also report that our channel partners are eager to adopt the Motif Micro technology in 2019.

We are primarily focusing our sales efforts in Australia for Australian exporters however we have also seen some positive improvement from our China team and in South East Asia. With the prospects we now have in these regions and with the restructure of the management team we have ceased sales activities in Pakistan in order to focus resource and activity in what we believe to be more fruitful areas and channels.

Momentum in sales channels
Most notably our relationships with ‘Australian Made’ and e-commerce platform ‘Namaste’ have pleasingly progressed from signing through to the introduction of new clients to YPB. The major global e-commerce platforms have come under increased scrutiny and accountability for ensuring the authenticity of products sold through their platforms and they are searching for solutions that YPB is ideally placed to provide. This is an area that we anticipate will continue to expand in coming years.

Expanding sales in the wine industry
It is always an interesting anecdote that some of the world’s most famous wine labels sell more units of certain lines in China than they actually produce, the same can now be said for some Australian wine brands. In addition, it has been observed by a leading wine commentator that it is not unusual for a champagne bottle to be re-filled up to 7 times in China. These points highlight the urgent need to protect Australia’s rapidly growing export wine market against counterfeit. YPB gained further traction in this sector with Accolade wines in 2018 and continues to attract interest from other major wine makers that are looking to protect their brand reputation and sales in export markets. During 2018 YPB developed a product designed for the wine industry named “VINTAIL”. The YPB Vintail has now been commercialised and is set to be sold to quality Australian wine exporters targeting especially the China wine consumer

Continued operational efficiencies
2018 continued to drive a culture of efficiency. We reduced headcount and other major operating costs wherever we could in the business without compromising new revenue opportunities. Our Board and management team are committed to a continual review process to identify efficiencies to control expenditures while ensuring that our business continues to develop technically and grow commercially.

New Board appointment
We were pleased to announce the appointment of Mr Anoosh Manzoori to the Board in December 2018. Anoosh has a tremendous wealth of technology sector experience and an impressive global network of contacts. He brings a fresh perspective to the Board and we look forward to working with him to rebuild company value.

Repayment of the Bracknor facility
The Bracknor debt facility on the Company’s balance sheet had been a sore point for investors and we were very happy to finalise this facility at the end of the 2018 year. Bracknor no longer hold shares or options and YPB has mutually settled all matters relating to this facility.

There have also been several disappointments in 2018 the greatest of which is the erosion of shareholder value.

Although we acknowledge our past failings, the two placements completed since July have each been at significant discounts which in turn have eroded shareholder value in the short term through dilution and downward share price pressures.

The AliHealth relationship has also fallen well short of expectations to date however AliHealth has renewed YPB’s distribution agreement to sell its Mashangfangxi platform in China for the 2019 year. AliHealth is a subsidiary of Alibaba Group and its Mashangfangxi platform has similar characteristics to YPB’s Connect platform but tailored to the China market and more particularly to Companies selling products on Alibaba’s own e-commerce sites.

2018 Capital Raisings

Since the release of the 2017 Annual Report in April 2018 the company has completed three capital raisings:

In August 2018 we announced a placement of $1.62m at 1.8c with a free attaching option to sophisticated and professional investors. This raise was announced with our intention to issue a further $1.5m in convertible notes to a consortium of investors led by ASX listed investment company, First Growth Funds Limited (ASX:FGF).

The convertible notes were subsequently documented and the key terms approved at a general meeting in November 2018 with settlement occurring at the beginning of December 2018.

Recently in February 2019 we completed a placement at the undesirably low price of 1c with a free attaching 2.5c option. This placement is being settled across two tranches with the second at the Company’s AGM to be held in April subject to the release date of the Annual Report and issuance of the Notice of Meeting.

I thank the investors that have bought on-market and supported the Company across the three capital raises since the last Annual Report and I have personally invested significant monies at many points in the Company's history at far higher valuations than the recent capital raisings. I am highly confident that I will see my entry prices far exceeded in the future so I congratulate the investors that have recently come into the story and join me on the path back to value.

YPB token

The YPB token complements the existing YPB solutions by providing additional incentives for consumers to scan products that contain a YPB marker. The consumer receives value from the brand such as discounts for that brand's products and the value transfer and data capture is facilitated and accessed through the YPB token.

We have diligently worked through a journey that will see us as the first ASX listed company to directly issue a digital asset token to extend the capability of the YPB platform and also to raise capital. Since receiving regulatory approval the digital assets market has gone through a consolidation and repricing. The number and amount of funding raised via Initial Coin Offerings (ICO) have also declined significantly.

Despite the current market conditions the market is still growing with the successful launch of new enterprise based solutions such as the IBM World Wire for international remittance, also increasing interest from large institutional investment banks such as Fidelity Investments announcement of their crypto offerings.

We are working very closely with our cornerstone investors First Growth Funds Limited (ASX:FGF), DigitalX (ASX:DCC) and Blockchain Global Limited who have extensive experience in the digital asset and crypto currency sector.

We are exploring a number of opportunities for the YPB token. This includes an enterprise solution that leverages the utility of the YPB token into a commercial product. Our strategy is to ensure a tight product market fit with the YPB token, generate revenue from the sale of YPB tokens and create value in the digital currency asset.

We are also exploring the opportunity to free float (no ICO) of the YPB token on digital asset exchanges in international markets.

2019 will be a much better year for YPB and our turning point

2019 marks a turning point for the Company on a number of levels:

We have removed layers of senior management cost and poor execution from the business in the last eighteen months with further cuts made right at the end of 2018. Together with a more appropriate and efficient operating base, much more focus on sales and building on existing customer revenues and opportunities we believe as outlined above that we will achieve monthly run-rate profitability by the end of the 2019 calendar year.

We now have line of sight to commercialisation of our smartphone readable technology which has been eagerly awaited by the great majority of our customers. This, with the trimmed overhead base and a strong management team gives me great confidence in YPB's future.

In demonstration of support and commitment by the non-executive directors to this objective, each has agreed to receive non-cash remuneration only from 1 April 2019 until the company achieves sustainable run-rate profitability. I thank my fellow directors for their show of commitment and their efforts, in working to restore shareholder value and grow a profitable business.

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 2018.

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.

	Date Appointed
Executive Chairman	
John Houston	31 July 2014
Non-Executive Directors	
Su (George) Su	31 July 2014
Gerard Eakin	4 March 2016
Anoosh Manzoori	19 December 2018

Mr Robert Whitton was the Company Secretary for the year under review up until 16 January 2019. Mr Adam Gallagher has since then been appointed 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

2018 saw a significantly improved financial performance. The reported net loss fell 64% to $7.3m. This figure included impairments of intangibles of $2.4m in 2018 and $8.1m in 2017.

More meaningfully, the EBITDA loss of $6.0m for 2018 was 30% lower than that of 2017. This was confirmed by net cash used in operating activities of $5.8m which was 25% lower in 2018.

Revenue remained flat in 2018 from 2017 at $2.0m however a combination of a higher gross margin from changed product mix especially with anti-counterfeit allowed our gross profit contribution to increase by a meaningful 36% to $1.4m.

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.

Operating overhead costs were down 24% to the targeted $6.5m, although reported overhead costs were down 16% to $7.1m. The difference is comprised of much higher legal fees (significant dealings with ASX, ASIC and funders), non-recurring restructuring costs, currency movements increasing AUD costs of international operations and increased regulatory fees.

As advised on 22 October 2018, additional cost reduction measures taken in Q4 2018 are expected to result in a further 23% reduction in cash overhead from $6.5m to $5.0m in 2019.

Acquired intellectual property of $2.356m was written off in 2018. The remaining intangible asset is Patent Licence Rights of $8.443m which represents the value of the Motif Micro acquisition. The increase from $6.781m in 2017 was driven from the achievement of a specific milestone and exchange rate differences. Motif Micro's carrying value is justified by the smartphone readability breakthrough achieved in 2018 which supports the rapid commercialisation over the coming year.

The Bracknor convertible equity facility of $1.836m was repaid to $0.205m by end 2018, and fully repaid in early January 2019. The relationship between the parties has been fully settled and the remaining warrants lapsed.

A number of new equity placements were conducted during the year to fund the ongoing operations of the company. In addition, Convertible notes to the value of $1.5m were issued in December 2018 to a number of strategic parties with skills in blockchain and utility token technologies and markets.

The net assets of YPB were $6,658,000 as at 31 December 2018 (2017: $1,138,000). Cash at balance date was $487,000 (2017: $845,000).

5. Significant Changes in State of Affairs

— 18 December 2018 YPB presents technology breakthrough at summit in China
— 12 December 2018 Material contract win of US$150,000 using VariSec Foil Technology
— 3 December 2018 Settlement of convertible notes summing to an aggregate face value of $1.5m
— 01 November 2018 Share placement raises $1.672m
— 18 October 2018 YPB signs 3-years supply agreement with Shatterizer
— 04 October 2018 YPB signs agreement with Accolade
— 03 October 2018 YPB signs 3-years supply agreement with plastic supplier in China
— 10 September 2018 Brand protection boost with new retail anti-theft product sale
— 07 September 2018 YPB signs agreement with Shenzhen Mexin Electronics
— 05 September 2018 YPB signs agreement with Bluey Merino
— 03 September 2018 YPB signs 3-years supply agreement with new channel partner in China
— 31 August 2018 YPB signs agreement with Totem Vaporisers
— 29 August 2018 $3.12m raised from Blockchain partners and equity investors
— 24 August 2018 Technology breakthrough in smartphone readability of highly secure anticounterfeit mark
— 10 August 2018 YPB signs agreement with Elev8 Distribution
— 30 July 2018 YPB signs agreement with Kingtons
— 23 July 2018 YPB signs supply agreement Dalda Foods
— 27 June 2018 YPB signs 3-year supply agreement with Namaste
— 19 June 2018 Inaugural Australian Made campaign client secured
— 30 April 2018 Update on possible token sale event
— 09 April 2018 Intensified sales and marketing effort in ANZ
— 26 March 2018 Share placement raises $1.087m
— 26 March 2018 YPB signs MOU with the Australian Made
— 22 March 2018 YPB signs contract with Alibaba Health, appointed ISV partner
— 22 January 2018 Share placement raises $5m

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 2018.

8. Events Subsequent to Balance Date

- On 7 January 2019, the final payment was made in settlement of the loan facility provided by Bracknor Worldwide Investments Ltd
- On 16 January 2019, Mr Adam Gallagher was appointed as Company Secretary.
- On 20 February 2019, $1.1m was raised via a placement to sophisticated and institutional investors. Proceeds from this placement were used for the further development and commercialisation of Motif Micro, business development activities and as general working capital.

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.

Anoosh Manzoori
Non-Executive Director
Appointed 19 December 2018

Mr Manzoori has 20 years of experience as an investor and advisor, specialising in fast-growing technology companies. He is a director of M&A corporate advisory firm Shape Capital and the Executive Chairman of First Growth Funds Limitied (ASX: FGF).
He holds a Bachelor of Science degree and a Graduate Diploma of Business Enterprise and is a member of the Australian Institute of Company Directors.

Other public company directorships held within the last 3 years: First Growth Funds Ltd (ASX: FGF) & CCP Technologies Limited (ASX: CT1).

Adam Gallagher
Company Secretary
Appointed 16 January 2019

Mr Adam has strong experience and working knowledge of the technology sector, M&A transactions, finance and capital markets through nearly 20 years' commercial, IT and investment experience across major banks, stock exchanges, digital media, communications, private equity and listed companies.

He holds a Bachelor of Economics, a Masters in Commerce, a Graduate Diploma in Information Systems and a Graduate Diploma in Applied Corporate Governance.

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

Robert has a longstanding and successful career as a Chartered Accountant and Business Advisor. A specialist in business reconstruction services, Robert is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Company Directors. Robert has in excess of 30 years' experience gained across a range of accountancy firms, most recently as a Director of William Buck, Chartered Accountants & Advisors in Sydney, Australia. Robert is a Certified Fraud Examiner. He also is an Associate Fellow of the Australian Institute of Management and a member of Australian Restructuring Insolvency & Turnaround Association.

He acted as Chief Financial Officer from 1 March 2015 to 31 July 2016, as Managing Director ANZ between 1 August 2016 and 1 February 2017, and Group Company Secretary from 31 July 2014 to 16 January 2019.

10. Meetings of Directors

During the period under review, 6 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:

	Board Meetings	
	Number eligible to attend	**Number Attended**
John Houston	6	6
Gerard Eakin	6	6
George Su	6	6
Anoosh Manzoori	0	0

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 2018

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

	Short-term Benefits		Post Employment Benefits	Equity-based payments	Total
	Fees or Remuneration	Non-Monetary Benefits	Retirement	Shares	
12 months to 31 December 2018	**$**	**$**	**$**	**$**	**$**
John Houston (Executive Chairman)	267,571	36,000	-	-	303,571
George (Su) Su (Non-Executive Director)	40,000	-	-	-	40,000
Gerard Eakin (Non-Executive Director)	200,000	-	-	-	200,000
Anoosh Manzoori (Non-Executive Director)	1,398	-	-	-	1,398
Gregory O'Shea (Chief Operating Officer) [1]	313,157	-	-	-	313,157
Adrian Tan (Chief Financial Officer) [2]	233,098	-	-	18,000	251,098
Paul Bisso (Chief Technology Officer)[3]	242,247	-	3,075	-	245,322
	1,297,471	36,000	3,075	18,000	1,354,546

Notes:
1. Ceased on 14 January 2019
2. Appointed on 8 January 2018
3. Appointed on 16 February 2018

Details of Remuneration for the Period Ended 31 December 2017

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

	Short-term Benefits		Post Employment Benefits	Equity-based payments	Total
	Fees or Remuneration	Non-Monetary Benefits	Super-annuation	Shares	
12 months to 31 December 2017	**$**	**$**	**$**	**$**	**$**
John Houston (Executive Chairman)	293,389	34,978	-	-	328,367
Jens Michel (Chief Executive Officer)[1]	188,906	-	-	-	188,906
Robert Whitton (Company Secretary)	200,000	-	-	-	200,000
George (Su) Su (Non-Executive Director)	40,000	-	-	-	40,000
Ronald Langley (Non-Executive Director)[2]	16,667	-	-	-	16,667
Gerard Eakin (Non-Executive Director)	200,000	-	-	-	200,000
Gregory O'Shea (Chief Operating Officer)	289,384	-	-	-	289,384
Jason York (Chief Financial Officer)[3]	162,402	-	11,479	-	173,881
	1,390,748	34,978	11,479	-	1,437,205

Notes:
1. CEO until 2 July 2017
2. Ceased 31 May 2017
3. CFO until 30 June 2017

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**
Group KMP					
John Houston (Exec. Chair)	130,319,579	-	22,222,222	-	152,541,801
George (Su) Su (NED)	5,623,989	-	-	-	5,623,989
Gerard Eakin (NED)	2,500,000	-	1,428,571	-	3,928,571
Anoosh Manzoori (NED)	-	-	-	-	-
Gregory O'Shea (COO)	-	-	-	-	-
Adrian Tan (CFO)	-	750,000	-	-	750,000
Paul Bisso (CTO)	10,244,025	-	42,854,540	-	53,098,565
	148,687,593	750,000	66,505,333	-	215,942,926

The number of options 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**
Group KMP					
John Houston (Exec. Chair)	-	-	22,222,222	-	22,222,222
George (Su) Su (NED)	-	-	-	-	-
Gerard Eakin (NED)	1,000,000	-	-	-	1,000,000
Anoosh Manzoori (NED)	-	-	-	-	-
Gregory O'Shea (COO)	-	-	-	-	-
Adrian Tan (CFO)	-	-	-	-	-
Paul Bisso (CTO)	-	-	-	-	-
	1,000,000	-	22,222,222	-	23,222,222

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

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.

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 2018 will be included on page 15 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 201,488,028 options over unissued shares in YPB Group Ltd as set out below:

Number	Exercise Price	Expiry Date
3,800,000	$0.035	17 July 2019
1,000,000	$0.50	4 March 2020
127,132,473	$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
201,488,028		

Signed in accordance with a resolution of the Board of Directors

John Houston
Executive Chairman and CEO

Dated this 29th day of March 2019

YPB GROUP LIMITED
ACN 108 649 421
AND ITS 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

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there have been no contraventions of:

(i) the auditor independence requirements as set out in 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
Partner
Dated: 29 March 2019

Financial Report

31 December 2018

YPB Group Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	Consolidated 2018 $'000	2017 $'000
Revenue	3	1,987	1,998
Expenses			
Production costs		(635)	(1,007)
Consulting fees		(1,481)	(1,583)
Depreciation and amortisation expense		(165)	(967)
Directors' fees		(80)	(142)
Employee benefits expense		(2,986)	(3,219)
Finance costs		(65)	(387)
Rental expenses		(359)	(314)
Research and development		(393)	(1,023)
Marketing		(162)	(79)
Travelling expense		(364)	(607)
Options expense		(845)	(1)
Share-based payments		(55)	(179)
Regulatory expenses		(245)	(188)
Professional fees		(414)	(418)
Other expenses		(853)	(1,205)
Exchange gain/(loss)		1,913	(247)
Inventories written-off		(52)	-
Impairment of plant and equipment		-	(830)
Impairment of goodwill and other intangible assets		(2,356)	(8,104)
Diminution in fair value of financial assets		-	(1,775)
Loss before income tax benefit	4	(7,610)	(20,277)
Income tax benefit	5	332	16
Loss after income tax benefit for the year attributable to the owners of YPB Group Ltd		(7,278)	(20,261)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(958)	(250)
Other comprehensive loss for the year, net of tax		(958)	(250)
Total comprehensive loss for the year attributable to the owners of YPB Group Ltd		(8,236)	(20,511)
		Cents	**Cents**
Basic earnings per share	26	(1.09)	(8.16)

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
As at 31 December 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	6	487	845
Trade and other receivables	7	701	508
Inventories	8	282	333
Total current assets		1,470	1,686
Non-current assets			
Plant and equipment	9	184	197
Intangibles	10	8,443	9,115
Total non-current assets		8,627	9,312
Total assets		10,097	10,998
Liabilities			
Current liabilities			
Trade and other payables	11	1,572	6,782
Deferred revenue	12	144	240
Financial liabilities	13	1,723	1,836
Borrowings	14	-	1,002
Total current liabilities		3,439	9,860
Total liabilities		3,439	9,860
Net assets		6,658	1,138
Equity			
Issued capital	15	61,980	49,124
Reserves	16	3,385	3,740
Accumulated losses		(58,707)	(51,726)
Total equity		6,658	1,138

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 2018

Consolidated	Issued capital $'000	Issued options $'000	Foreign currency translation reserve $'000	Warrant Options Reserve $'000	Accumulated losses $'000	Share based payment reserve $'000	Total equity $'000
Balance at 1 January 2017	41,317	695	2,341	-	(31,859)	1,015	13,509
Loss after income tax benefit for the year	-	-	-	-	(20,261)	-	(20,261)
Other comprehensive loss for the year, net of tax	-	-	(250)	-	-	-	(250)
Total comprehensive loss for the year	-	-	(250)	-	(20,261)	-	(20,511)
Transactions with owners in their capacity as owners:							
Shares issued, net of transaction costs	7,807	-	-	-	-	-	7,807
Options lapsed during the year	-	(394)	-	-	394	-	-
Options granted during the year	-	1	-	-	-	-	1
Share based payments	-	-	-	-	-	76	76
Warrant options issued	-	-	-	256	-	-	256
Balance at 31 December 2017	49,124	302	2,091	256	(51,726)	1,091	1,138

Consolidated	Issued capital $'000	Issued options $'000	Foreign currency translation reserve $'000	Warrant Options Reserve $'000	Accumulated losses $'000	Share based payment reserve $'000	Total equity $'000
Balance at 1 January 2018	49,124	302	2,091	256	(51,726)	1,091	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)	-	(7,278)	-	(8,236)
Transactions with owners in their capacity as owners:							
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 lapsed during the year	-	-	-	(256)	256	-	-
Balance at 31 December 2018	61,980	1,106	1,133	-	(58,707)	1,146	6,658

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		2,116	2,259
Payments to suppliers and employees		(7,901)	(9,656)
Interest received		17	7
Finance costs		(48)	(387)
Net cash used in operating activities	25	(5,816)	(7,777)
Cash flows from investing activities			
Payments for plant and equipment		(50)	(25)
Payments for intangibles		(1,444)	(1,038)
Net cash used in investing activities		(1,494)	(1,063)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		7,202	3,237
Proceeds from related party loans		-	1,002
Proceeds from issue of options		-	1
Repayment of loan from related party		(102)	-
Settlement of deferred share consideration		-	475
Proceeds from issue of convertible notes		1,500	2,255
Repayment of borrowings		(1,648)	-
Net cash from financing activities		6,952	6,970
Net decrease in cash and cash equivalents		(358)	(1,870)
Cash and cash equivalents at the beginning of the financial year		845	2,715
Cash and cash equivalents at the end of the financial year	6	487	845

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

Note 1. Significant accounting policies

These consolidated financial statements and notes represent those of YPB Group Limited and Controlled Entities (the "consolidated entity" or "group"). The company is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, YPB Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 29 March 2019 by the directors of the company.

Basis of preparation
These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals 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.

Going concern
The Group incurred an operating loss after income tax of $7,278,000 and had a deficiency of operating cash flows of $5,816,000 for the year ending 31 December 2018. As at year end the Group has cash and cash equivalents of $487,000, and a deficiency of net current assets of $1,969,000.

The financial statements have been prepared on a going concern basis as the group's cash flow forecast indicates that after meeting all its commitments the group will be cash flow positive for at least the next 12 months from the date of this report. While preparing the cash flow forecasts Directors noted the following:

- Confidence in achieving the forecasted sales growth for 2019 based upon extending the sales team with industry experience and launches of new products in 2019. This is expected to give the company more opportunities to grow the sales pipeline and ultimately convert into revenue.
- The Group has implemented cost containment controls to ensure more is achieved from a lower operational cost base; and
- Reliance on further capital raising activities, of which $1.1m has been raised 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.

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 23.

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).

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.

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); and
- the acquisition date fair value of any previously held equity interest;

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.

Income Tax
The income tax expense/(income) for the period comprises current income tax expense/(income) and deferred tax expense/(income).

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads.

Plant and equipment
Plant and equipment is 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.

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% - 25%

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.

Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value through profit or loss or amortised cost using the effective interest method.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial assets
Financial assets are initially recognised at cost on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date with reference to the price differential between the actual trading share price of the company at settlement and the contractually agreed reference share price.

Financial liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment
The Group recognises a loss allowance for expected credited losses on financial assets.

At each reporting period, the Group assesses whether the financial assets are credit-impaired, and if:
- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Impairment of Assets
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

Intangibles

Intellectual property
Intellectual property is recognised at cost of acquisition. Intellectual property has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Intellectual property is amortised over a period of 5 - 20 years.

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Customer relationships
Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Patent license rights
Patent license rights are recognised at cost of acquisition. Patent license rights have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Patent license rights are amortised over a period of 15 years from the date the technology is available for commercial use.

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); and
- the acquisition date fair value of any previously held equity interest;

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 re-measurements 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.

Foreign Currency Transactions and Balances

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.

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.

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.

Employee Benefits

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.

Equity-settled compensation
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.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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
- recognise 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.

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
- 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.

Convert forensic products
The Group manufactures and sell convert 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.

Trade and Other Receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any loss allowance.

Trade and Other Payables
Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Comparative Figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

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

Critical Accounting Estimates and Judgements
The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Intellectual property and customer relationships

The Group assesses the carrying value of intellectual property at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. The Directors have assessed the carrying value of intellectual property at 31 December 2018 and determined that an impairment of $2,356,000 is required.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill is impaired. In accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The goodwill was impaired at 31 December 2016.

Patent licence rights

The Group acquired the patented licence rights from Motif Micro in an arm's length transaction. The Group intends to use these patented licence rights to generate revenue via licencing arrangements to third parties across various industries and geographical locations. The Directors have assessed the carrying value of patent license rights at 31 December 2018 by applying the value in use methodology.

New and amended Accounting Standards adopted by the Group
The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 January 2018. The impact of these standards are described below:

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Group has adopted this standard from 1 January 2018. There is no material impact on the transactions and balances recognised in the financial statements for the year ended 31 December 2018. The Group's accounting policy has been amended as outlined in the Accounting Policy Notes.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group has adopted this standard from 1 January 2018 using the cumulative effective method (without applying practical expedients) from 1 January 2018. Accordingly, the information presented for year ended 31 December 2017 has not been restated and continues to be reported in line with AASB 18. The Group has performed an analysis on the impact of this standard on the Groups' revenue streams and determined that this new standard does not have a material effect on the Groups' financial report. The Group's accounting policy has been amended as outlined in the Accounting Policy Notes.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will apply this standard using the modified retrospective method from 1 January 2019 and thus the comparative amounts for the year prior to first adoption will not be restated. The Group has performed a high-level impact assessment and has estimated that on 1 January 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately $313,000 (after adjusting for prepayments and accrued lease payments recognised as at 31 December 2018).

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

For the year ended 31 December 2018, 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.
- Retail anti-theft and labelling solutions effective for mainstream retailers, boutiques and exporters to protect against theft.

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 - 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)
Assets			
Segment assets	-	10,097	10,097
Total assets			10,097
Liabilities			
Segment liabilities	3	3,436	3,439
Total liabilities			3,439

Consolidated - 2017	Print Solutions $'000	Other segments $'000	Total $'000
Revenue			
Sales to external customers	223	1,768	1,991
Interest revenue	-	7	7
Total revenue	223	1,775	1,998
EBITDA	(256)	(7,958)	(8,214)
Depreciation and amortisation	-	(967)	(967)
Diminution in fair value of financial assets	-	(1,775)	(1,775)
Impairment of assets	-	(8,104)	(8,104)
Impairment of plant and equipment	-	(830)	(830)
Finance costs	-	(387)	(387)
Loss before income tax benefit	(256)	(20,021)	(20,277)
Income tax benefit			16
Loss after income tax benefit			(20,261)
Assets			
Segment assets	2	10,996	10,998
Total assets			10,998
Liabilities			
Segment liabilities	31	9,829	9,860
Total liabilities			9,860

Note 2. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Australia	883	1,013	445	716
Peoples Republic of China and HK	164	39	596	2,959
Thailand	494	463	486	400
United States of America	446	483	8,569	6,923
	1,987	1,998	10,096	10,998

Note 3. Revenue

	Consolidated	
		2017
		$'000
Revenue		
Sale of goods and services	1,970	1,991
Other revenue		
Interest	17	7
Revenue	1,987	1,998

Note 4. Loss for the period

The loss for the period includes the following expenses:

	Consolidated	
	2018	2017
	$'000	$'000
Finance costs	65	387
Research and development costs	393	1,023
Depreciation and amortisation	165	967
Inventories written-off	52	-
Impairment of plant and equipment	-	830
Impairment of goodwill & other intangible assets	2,356	8,104
Rental expense on operating leases - minimum lease payments	359	314
Diminution in fair value of financial assets	-	1,775
	3,390	13,400

Note 5. Income tax benefit

	Consolidated 2018 $'000	Consolidated 2017 $'000
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(7,610)	(20,277)
Tax at the statutory tax rate of 30%	(2,283)	(6,083)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- offshore expenses not deductible	166	218
- non-allowable expenses	178	3,310
- share options expensed during the year	253	-
- share based payments expensed during the year	16	54
- tax losses not recognised	1,551	2,356
	(119)	(145)
Difference in overseas tax rates	125	129
Research and development tax incentive	(338)	-
Income tax benefit	(332)	(16)
Deferred tax assets have not been recognised in respect of the following items:		
- deductible temporary differences	113	78
- tax losses	6,924	5,373
	7,037	5,451

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

Note 6. Current assets - cash and cash equivalents

	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash on hand	3	2
Cash at bank	484	843
	487	845

Note 7. Current assets - trade and other receivables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Trade receivables	468	339
Less: allowance for doubtful debts	(54)	(25)
	414	314
Sundry receivables	287	194
	701	508

Note 7. Current assets - trade and other receivables (continued)

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 2018 is determined as follows; the expected credit losses also incorporate forward-looking information.

	Current $'000	>30 days past due $'000	>60 days past due $'000	>90 days past due $'000	Total $'000
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)
2017					
Expected loss rate	0.4%	5.1%	8.3%	40.0%	-
Gross carrying amount	242	11	36	50	339
Loss allowing provision	(1)	(1)	(3)	(20)	(25)

Note 8. Current assets - inventories

	Consolidated 2018 $'000	Consolidated 2017 $'000
Finished goods - at cost	282	333

Note 9. Non-current assets - plant and equipment

	Consolidated 2018 $'000	Consolidated 2017 $'000
Plant and equipment - at cost	521	1,264
Less: Accumulated depreciation	(337)	(237)
Less: Impairment of plant and equipment	-	(830)
	184	197

Note 9. Non-current assets - plant and equipment (continued)

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

Consolidated	Plant and equipment $'000	Total $'000
Balance at 1 January 2017	588	588
Additions	515	515
Exchange differences	(5)	(5)
Impairment of plant and equipment	(830)	(830)
Depreciation expense	(71)	(71)
Balance at 1 January 2018	197	197
Additions	50	50
Disposals	(1)	(1)
Depreciation expense	(79)	(79)
Exchange differences	17	17
Balance at 31 December 2018	184	184

Note 10. Non-current assets - intangibles

	Consolidated 2018 $'000	2017 $'000
Goodwill - at cost	3,089	3,089
Less: Accumulated impairment losses	(3,089)	(3,089)
	-	-
Intellectual property - at cost	16,250	13,052
Less: Accumulated amortisation	(4,942)	(2,614)
Less: Accumulated impairment losses	(11,308)	(8,104)
	-	2,334
Customer relationships – at cost	206	206
Less: Accumulated amortisation	(28)	(28)
Less: Accumulated impairment losses	(178)	(178)
	-	-
Patent licence rights – at cost	8,443	6,781
	8,443	9,115

Note 10. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill $'000	Intellectual property $'000	Customer relationships $'000	Patent licence rights $'000	Total $'000
Balance at 1 January 2017	-	12,081	-	-	12,081
Additions	-	-	-	6,781	6,781
Exchange differences	-	(752)	-	-	(752)
Impairment charge	-	(8,104)	-	-	(8,104)
Amortisation expense	-	(891)	-	-	(891)
Balance at 31 December 2017	-	2,334	-	6,781	9,115
Additions	-	-	-	851	851
Exchange differences	-	107	-	811	918
Impairment charge	-	(2,356)	-	-	(2,356)
Amortisation expense	-	(85)	-	-	(85)
Balance at 31 December 2018	-	-	-	8,443	8,443

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 reviewing the recoverable amounts of the intellectual property, it was determined that the carrying value as at 30 June be written to nil due to overhauls on our core products and upgrades to the underlying technologies.

Patent Licence Rights

Effective in December 2017, the Group acquired Motif Micro'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 Motif Micro under which an addition $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 development was hampered due to the financial under-performance for the full year ended 31 December 2018. However, as a result of an internal restructure in late 2018 together with opportunities to commercially release Motif Micro in the near future, the directors have applied the 'value in use' methodology to access the carrying value of the patent licence rights at 31 December 2018. The annual impairment test was based on the approved annual operating plan ('AOP') and the accompanying five-year outlook.

The key assumptions and results arising from the value in use methodology, based on the approved AOP, relating to the commercialisation of the technology include:

- Revenue growth from conversion of sales pipeline of $2.55m for FY2019 with an annual long-term growth rate range between 2% and 5% thereafter
- EBITDA of $0.136m to be achieved by the end of FY2019
- Discounted cash flow modelling based on remaining life of patent licence rights of 15 years with no terminal value;
- Mid-point WACC of 17.9% assuming a long-term debt/equity ratio of 10 / 90; and
- The group securing sufficient funding to continue as a going concern.

The sensitivity analysis conducted by the directors indicates that a downward variation of 10% of the budgeted FY2019 revenue streams still provides headroom.

Note 11. Current liabilities - trade and other payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Trade payables	979	1,081
Sundry payables and accruals	593	5,701
	1,572	6,782

Note 12. Deferred revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred revenue	144	240

Note 13. Current liabilities - financial liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Convertible notes (Bracknor facility) – (i)	205	1,836
Convertible notes (Sophisticated investors) – (ii)	1,518	-
	1,723	1,836

(i) During the year, the Group made repayments totalling $1,696,000 (US$ 1,311,000) with a remaining final repayment tranche of $205,000 (US$ 145,000) that was settled on 2 January 2019 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. No conversion notices were issued during the year.

Note 14. Borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000
Loans to related parties	-	1,002

During the year, $900,000 relating to the prior year loans were converted into ordinary shares. The remaining balance of $102,000 has been fully repaid.

Refer also to Note 21 – Related party transactions for details of the movement in loans in FY2018.

Note 15. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares - fully paid	799,277,924	399,463,400	61,980	49,124

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 January 2017	211,887,886	41,317
Issuance in accordance with convertible notes arrangement	15 May 2017	1,210,074	103
Issuance in accordance with convertible notes arrangement	21 July 2017	782,580	38
Issuance as payment to service provider	21 July 2017	795,102	51
Issued under share-based payments	21 July 2017	173,000	-
Issued as part of asset purchase	7 September 2017	10,244,025	410
Share placement	7 September 2017	45,000,000	1,800
Share placement	7 September 2017	9,375,000	375
Issuance in accordance with convertible notes arrangement	7 September 2017	4,194,555	125
Share placement	11 September 2017	27,500,000	1,100
Conversion of debt to equity & settlement of debts	13 September 2017	10,250,000	567
Share placement	3 October 2017	3,750,000	150
Issued under share-based payments	3 October 2017	144,928	-
Conversion of options	1 December 2017	6,250	1
Conversion of debt to equity & settlement of debts	1 December 2017	72,100,000	2,884
Issued as part of asset purchase	1 December 2017	2,050,000	492
Less: Transaction costs on shares issued, net of tax		-	(289)
Balance	31 December 2017	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 share issued, net of tax		-	(334)
Balance	31 December 2018	799,277,924	61,980

Note 15. Equity - issued capital (continued)

Movements in options on issue

Details	Date	Options	$'000
Balance	1 January 2017	112,231,884	695
Options issued under existing employment agreement	21 July 2017	346,000	1
Exercise of share options	31 October 2017	(6,250)	-
Options lapsed	31 October 2017	(40,037,634)	(394)
Balance	31 December 2017	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	202,278,473	1,106

Movements in share based payments

Details	Date	$'000
Balance	1 January 2017	1,015
Issued under share based payments	21 July 2017	26
Issued under share based payments	3 October 2017	50
Balance	31 December 2017	1,091
Issued under share-based payments	30 June 2018	48
Issued under share-based payments	29 August 2018	7
Balance	31 December 2018	1,146

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

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

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

Volatility	Between 64.28 % and 104.46%
Risk-free rate	Between 3.64% and 3.68%
Weighted average term (years)	1.30
Weighted average remaining life at 31 December 2018	1.07

3,800,000 options were issued on 18 July 2018 with an exercise price of $0.035 per share with a value of $0.0034 per option which will expire on 17 July 2019. 120,769,473 options were issued on 30 October 2018 with an exercise price of $0.025 per share with a value of $0.0067 per option which will expire on 30 April 2020. 6,363,000 options were issued on 04 December 2018 with an exercise price of $0.025 per share with a value of $0.0043 per option which will expire on 30 April 2020.

Note 15. Equity - issued capital (continued)

Capital risk 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	
		31 December 2018 $	31 December 2017 $
Total borrowings	13,14	1,723	2,838
Less cash and cash equivalents	6	(487)	(845)
Net debt		1,236	1,993
Total equity		6,658	1,138
Total capital		7,894	3,131
Gearing ratio		16%	64%

Note 16. Equity - reserves

	Consolidated	
	2018 $'000	2017 $'000
Foreign currency translation reserve	1,133	2,091
Issued options reserve	1,106	302
Share-based payments reserve	1,146	1,091
Warrant options reserve	-	256
	3,385	3,740

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign controlled subsidiaries to Australian dollars.

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

Share-based payments 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.

Warrant options reserve
The warrant options reserve has been used to recognise the warrants issued as part of the Bracknor facility. The warrant options lapsed with the final repayment of the facility on 2 January 2019 – refer to note 13.

Note 17. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (relating to foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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.

Market risk

Foreign currency risk
Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. The Group does not have a policy for hedging against currency exchange exposure.

With instruments being held by overseas operations, fluctuations in the Renminbi, Thai Baht and US dollar may impact on the Group's financial results.

Consolidated – 31 December	**2018 RMB $000**	**2018 USD $000**	**2018 THB $000**	**2017 RMB $000**	**2017 USD $000**	**2017 THB $000**
Cash and cash equivalents	413	30	387	611	5	2,787
Trade and other receivables	386	63	5,730	201	70	1,701
Trade and other payables	(706)	(90)	(894)	(978)	(4,178)*	(1,239)
Borrowings	-	-	-	-	(623)	-
Total	93	3	5,223	(166)	(4,726)	3,249

*Included in this balance is the USD $4.15mill payable to Motif Micro, which was settled on 24 January 2018 via a combination of cash and ordinary shares.

Sensitivity analysis

Based on the financial instruments held at 31 December 2018, 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 (2017: $606,000 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 $2,000 higher/lower (2017: $3,000 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 $23,000 higher/lower (2017: $13,000 higher/lower).

Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. 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.

Note 17. Financial instruments (continued)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Effective Interest Rate %	1 year or less $'000	Between 1 and 5 years $'000	Remaining contractual maturities $'000
Financial assets - cash flows realisable				
Cash and cash equivalents	2.00%	487	-	487
Trade and other receivables	-	701	-	701
Financial liabilities - due for payment				
Trade and other payables	-	(1,572)	-	(1,572)
Convertible loan facility (Bracknor)	20.00%	(205)	-	(205)
Convertible loan notes (Sophisticated investors)	10.00%	(1,518)	-	(1,518)
Total non-derivatives		(2,107)	-	(2,107)

Consolidated - 2017	Effective Interest Rate %	1 year or less $'000	Between 1 and 5 years $'000	Remaining contractual maturities $'000
Financial assets - cash flows realisable				
Cash and cash equivalents	2.00%	845	-	845
Trade and other receivables	-	508	-	508
Financial liabilities - due for payment				
Trade and other payables	-	(6,782)	-	(6,782)
Borrowings	8.00%	(1,002)	-	(1,002)
Convertible loan facility (Bracknor)	20.00%	(1,836)	-	(1,836)
Total non-derivatives		(8,267)	-	(8,267)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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

Note 18. Key management personnel disclosures

Directors
The following persons were directors of YPB Group Ltd during the financial year:

John Houston (Executive Chairman)
Su (George) Su
Gerard Eakin
Anoosh Manzoori

Note 18. Key management personnel disclosures (continued)

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:

Greg O’Shea (Chief Operating Officer – resigned January 2019)
Adrian Tan (Chief Financial Officer)
Paul Bisso (Chief Technology Officer)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the years ended 31 December 2018 and 2017.

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

	Consolidated	
	2018	**2017**
	$	**$**
Short-term employee benefits	1,333,471	1,437,205
Post-employment benefits	3,075	-
Share-based payments	18,000	-
	1,354,546	1,437,205

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.

Post-employment benefits
These amounts are the current-year’s estimated costs of providing for the Group’s defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

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 2018 and 2017.

Note 19. Remuneration of auditors

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

	Consolidated	
	2018	**2017**
	$	**$**
Audit services		
- Audit or review of the financial report	108,075	79,500
Component auditors		
- Audit or review of the financial report	18,308	56,752

Note 20. Contingencies and commitments

Operating lease commitments

	Consolidated	
	2018	2017
	$'000	$'000
Group Total		
Within one year	342	119
Later than one year but not later than five years	313	-
	655	119

Note 21. Related party transactions

Parent entity
YPB Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 23.

Key management personnel
Disclosures relating to key management personnel are set out in Note 18 and the remuneration report included in the directors' report.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	$	$
Loans from other key management personnel related entity		
Beginning of the year	1,002	3,024
Loans advanced	-	1,002
Interest charged	-	378
Loan converted to equity	(900)	(2,784)
Loan repayment	(102)	(420)
Exchange differences	-	(198)
End of the year	-	1,002

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

Other transactions with related parties
During the year, capital raising fees were paid to Manifest Capital Management Pty Ltd (related entity of Gerard Eakin) for $50,000 (2017: $100,000). A success fee in relation to the facilitation of the convertible note to sophisticated investors were paid to First Growth Funds Limited (related entity of Anoosh Manzoori) for $90,000.

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 **$'000**	**2017** **$'000**
Loss after income tax	(3,877)	(6,369)
Total comprehensive income	(3,877)	(6,369)

Statement of financial position

	Parent	
	2018 **$'000**	**2017** **$'000**
Total current assets	472	647
Total assets	32,887	24,018
Total current liabilities	1,137	1,034
Total liabilities	2,860	3,872
Equity		
Issued capital	67,017	54,161
Share options & warrant options reserve	1,106	557
Share-based payments reserve	1,146	1,091
Accumulated losses	(39,242)	(35,663)
Total equity	30,027	20,146

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

Contingent liabilities
There were no contingent liabilities as at 31 December 2018.

The Group has a contingent liability as at 31 December 2017 to the value of USD $1million, to be settled via the issue of ordinary shares upon the successful achievement of specific milestones, as outlined in its agreement with Motif Micro. The agreement outlines that the milestone has to be achieved within 9 months of the ‘clock start date’. The clock start date is defined as any date within 4 months of the execution of the agreement, being 19 December 2017. The milestone was successfully achieved and corresponding shares were issued in 2018.

Contractual commitments
There were no contractual commitments at 31 December 2018 and 2017 which related to the parent entity.

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	2017 %
YPB Limited (HK)	Hong Kong	100.00%	100.00%
YPB Technology (Beijing) Limited	PRC China	100.00%	100.00%
Product ID & Quality Systems (Beijing) Ltd	PRC China	100.00%	100.00%
Brand Reporter Pty Ltd	Australia	100.00%	100.00%
YPB Group (USA) Inc	USA	100.00%	100.00%
YPB Intellectual Product Protection Inc	USA	100.00%	100.00%
YPB Print Solutions Inc	USA	100.00%	100.00%
YPB Group Co., Ltd	Thailand	100.00%	100.00%
nTouch Holdings Pty Ltd	Australia	100.00%	100.00%
nTouch Agency Pty Ltd	Australia	100.00%	100.00%
nTouch Pty Ltd	Australia	100.00%	100.00%
nTouch IP Pty Ltd	Australia	100.00%	100.00%
Wall Mall Pty Ltd	Australia	100.00%	100.00%
YPB Product Development Pty Ltd	Australia	100.00%	100.00%

Note 24. Events after the reporting period

The following events have occurred since 31 December 2018:

- On 7 January 2019, the final payment has been made in settlement of the loan facility provided by Bracknor Worldwide Investments Ltd.
- On 16 January 2019, Mr Adam Gallagher was appointed as Company Secretary.
- On 20 February 2019, $1.1m was raised via a placement to sophisticated and institutional investors. Proceeds from this placement were used to further development and commercialisation of Motif Micro, business development activities and as general working capital.

No other matter or circumstance has arisen since 31 December 2018 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.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Loss after income tax benefit for the year	(7,278)	(20,261)
Adjustments for:		
Foreign exchange differences	(1,456)	277
Impairment of plant and equipment	-	830
Depreciation and amortisation expense	165	967
Inventories written-off	52	-
Impairment of goodwill & other intangible assets	2,356	8,104
Options expense	845	1
Share-based payments	55	179
Finance costs	17	-
Diminution in fair value of financial assets	-	1,775
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
Decrease in trade and other receivables	(193)	222
Decrease/(increase) in inventories	1	15
Increase in trade and other payables	(380)	114
Net cash used in operating activities	(5,816)	(7,777)

Note 26. Earnings per share

	Consolidated 2018 $'000	Consolidated 2017 $'000
Loss after income tax attributable to the owners of YPB Group Ltd	(7,278)	(20,261)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	664,942,198	248,202,931
Weighted average number of ordinary shares used in calculating diluted earnings per share	664,942,188	248,202,931
	Cents	Cents
Basic earnings per share	(1.09)	(8.16)

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

Note 27. Company details

The registered office of the company is:

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

The principal places of business are:

Level 39
Exchange Tower
388 Sukhumvit Rd
Khlong Toey
Bangkok
Thailand 10110

42 Manilla Street
East Brisbane
Queensland 4169
Australia

A2 Building-East
BEZ R&D Center
No. 9 Jiuxianqiao Road,
Chaoyang District
Beijing 100016
China

YPB Group Ltd
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

John Houston
Dated this 29th day of March 2019

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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

YPB GROUP LIMITED
ACN 68 108 649 421
AND CONTROLLED ENTITIES

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

Opinion

We have audited the financial report of YPB Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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:

(a) the accompanying financial report of the YPB Group Limited and Controlled Entities 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 2018 and of its financial performance for the year then ended; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 *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 1 in the financial report, which indicates that the group incurred a net loss after tax of $7,278,000 during the year ended 31 December 2018 and as of that date, the group's current liabilities exceeded its current assets by

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

$1,969,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Emphasis of matter

We draw attention to Note 10 in the financial report. The directors have assessed the carrying value of the group's patent license rights based on the value in use methodology, which indicates that the value of the intangible assets amounting to $8,443,000 is recoverable. If the key assumptions used to assess the carrying value are not met including achieving forecast revenues and associated EBITDA targets, this may cause doubt as to whether the carrying value of the patent license rights will be recoverable and at the amount disclosed in the financial report.

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 ($8,443K) *Refer to Note 10 Intangible Assets, and Note 1 Critical Accounting Estimates and Judgements.*	
The recoverability of patent license rights is a key audit matter as Intangible assets comprise circa 84% of the Group's total assets. The group acquired the Micro Motif technology 12 months ago but it 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 the value in use methodology. Critical to management's methodology is the revenue forecasted for FY2019 of $2.5m based on the successful conversion of a current contract negotiation and other sales pipelines into actual revenue. We have applied a significant level of judgement when considering management'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 management's determination of the Group's CGUs based on our understanding of the nature of the Group's business. We also analysed the internal reporting of the Group to assess how results were monitored and reported. • We evaluated the forecasting process undertaken by the Group by assessing the accuracy of prior year forecast cash flows for other cash generating units by comparing to actual outcomes.

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
	• With the assistance of Hall Chadwick's valuation specialist, we challenged the Group's valuation methodologies, discount rates and growth rates. This included comparing the group's inputs to external data such as economic growth projections and interest rates. • We performed sensitivity analysis on the key inputs to the value in use model. • 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 2018, 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, 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

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AND CONTROLLED ENTITIES

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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.
- 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.

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

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 10 to 13 of the directors' report for the year ended 31 December 2018. 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.

Opinion

In our opinion the remuneration report of YPB Group Limited for the year ended 31 December 2018 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb
Partner
Dated: 29 March 2019

Shareholder Information

Distribution of holders

The number of holders and amount of holdings by a range of holding sizes of the ordinary shares and options as at 29 March 2019 are detailed below:

Holding Size	Shares	
	No. of holders	Shares Held
1 – 1,000	120	12,316
1,001 – 5,000	108	335,058
5,001 – 10,000	136	1,201,991
10,001 – 100,000	572	26,121,285
100,001 – and over	566	889,362,829
	1,502	917,033,479

Number of holding less than a marketable parcel of 815.

Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 29 March 2019 are:

	Number of Shares Held
THE BIMM CORPORATION PTY LTD <FJ FUND A/C>	80,372,322
MR RONALD LANGLEY	55,465,213
MR PAUL BISSO	53,098,565
J F HOUSTON HOLDINGS PTY LTD <THE HOUSTON FAMILY A/C>	52,269,479
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 Option Exercise $0.50 Expiry 4 March 2020

Unlisted options $0.025 Expiry 31 August 2020

Unlisted Options Exercise $0.035 Expiry 17 July 2019

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	Options No. of holders	Options Held
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	4	74,355,555
	4	74,355,555

Top 20 Ordinary Shareholders as at 29 March 2019

THE BIMM CORPORATION PTY LTD <THE FJ FUND A/C>	80,372,322
MR RONALD LANGLEY	55,465,213
MR PAUL BISSO	53,098,565
J F HOUSTON HOLDINGS PTY LTD <THE HOUSTON FAMILY A/C>	52,269,479
MR PATRICK DOYLE	47,976,551
ACK PTY LTD <MARKOFF SUPER NO 2 A/C>	22,564,103
MR EVAN PHILIP CLUCAS & MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	21,324,234
ACUITY CAPITAL INVESTMENT	20,757,143
RAH STC PTY LTD	17,600,000
AUST EXECUTOR TRUSTEES LTD <FLANNERY FOUNDATON>	16,648,737
JAMBER INVESTMENTS PTY LTD	14,080,000
MR PAUL KLUMPER	12,000,000
AUST EXECUTOR TRUSTEES LTD <ILWELLA PTY LTD>	7,698,202
MR TIMOTHY JOHN EAKIN <ESTATE LATE VJA FLYNN A/C>	7,552,954
AZM WEALTH MANAGEMENT PTY LTD	7,500,000
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,093,848
BEIRNE TRADING PTY LTD	5,962,802
MRS WENDY ELIZABETH AXFORD& MR WARREN HENRY AXFORD	5,665,000
MR ANTON WASYL MAKARYN & MRS MELANIE FRANCES MAKARYN	5,651,440
HIGH ALTITUDE INVESTMENTS LIMITED	5,496,716
	465,777,309
Balance of register	451,256,170
TOTAL	917,033,479

Top 20 Unlisted Option Holders as at 29 March 2019

ACK PTY LTD <MARKOFF SUPER NO 2 A/C>	64,000,000
KENTGROVE CAPITAL PTY LTD	5,555,555
NAMASTE TECHNOLOGIES INC	3,800,000
WATERBEAR HOLDINGS PTY LTD	1,000,000
	74,355,555
Balance of register	-
TOTAL	74,355,555

On-Market Buy Back

There is currently no on-market buy back.

Corporate Directory

REGISTERED OFFICE
Level 29, 66 Goulburn Street

ABN	68 108 649 421
Telephone:	+612 8263 4000
Facsimile:	+612 8263 4111
Website:	www.ypbsystems.com

DIRECTORS
John Houston
George (Su) Su
Gerard Eakin
Anoosh Manzoori

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
Web site:	www.boardroomlimited.com.au

COMPANY SECRETARY
Adam Gallagher

AUDITORS
Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Telephone:	+612 9263 2600
Facsimile:	+612 9263 2800

STOCK EXCHANGE LISTING
The shares of YPB Group Ltd are listed on the Australian Stock Exchange.

ASX Code:	Ordinary Shares	YPB
Web site:	www.asx.com.au	