

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 28th February 2018

Appendix 4E and commentary

- **Disappointing year despite reduced loss**
- **40% overhead reduction achieved in H2**
- **Benefits of H2 CEO and management change to become increasingly apparent**
- **Pre-tax profit expectation of at least \$5m in 2018 reiterated**

Brand Protection and Consumer Connection solutions company YPB Group Ltd (ASX: YPB) presents its Appendix 4E and commentary for the year to December 2017.

YPB had an unacceptable and disappointing 2017 despite a reduced loss compared with 2016. Revenues fell when they were budgeted to grow. The CEO departed in early July as a consequence. The resumption of operational control by the Executive Chairman has seen the pruning of costs and ineffectual staff, the refocus and revitalisation of key management, and significant progress with key clients and strategic partners that should soon be visible in increased opportunity, contract closure and revenue growth.

The reported loss decreased from \$16.4m to \$11.2m. More relevantly, net cash consumed by operations of \$7.7m was 21% less than the \$9.7m of 2016. Further, the net operating loss in H2 2017 of \$3.2m was 58% below the \$7.7m net operating loss of H1 2017. Whilst a loss is unacceptable, the H2 improvement is indicative of the trajectory of the business. Cost reduction was the primary driver of improvement.

Revenues were extremely disappointing in 2017 falling by 33% from \$3.0m to \$2.0m. This was primarily driven by much weaker US Print Solutions which resulted in that business being closed mid-year. Sales in China were also very weak due to strategic errors by the departed CEO.

The biggest revenue disappointment, however, was the failure to convert a very large new business pipeline into sales and inordinate lags between contract closure and first sales. Nevertheless, the first hint of improvement was seen in H2 2017 with revenue of \$1.2m, up 44% on H1 and this trend is expected to accelerate in the current and subsequent halves. Existing customers are increasing volumes and new customers are close to contract closure and revenue start up.

The strategic partnership which is the cause of the present voluntary trading suspension should also commence in coming weeks and contribute revenue via both expanded opportunities and shortened sales cycles.

The cost reduction programme initiated by the Board commencing February 2017 was achieved on time and on budget. The targeted annualised 40% cost out of \$4.5m was largely reached by August 2017. That resulted in H2 2017 operating costs (ex COGS) being \$2.3m lower than H1. The two biggest contributors were lower headcount and fewer high-cost personnel together with a reduced R&D expense following the conclusion of the YPB CONNECT software rebuild and upgrade.

Substantially higher revenues remain the primary key to the company's fortunes. As noted above, that will be driven by the large opportunity pipeline, natural conclusion of discussions with well-progressed potential clients, YPB CONNECT having been proven in-market, management execution improving significantly since the leadership change and greater exposure of ANZ exporters to high counterfeit risk markets in Asia. This will be supplemented by the new strategic partnership which is expected to hit the ground running in coming weeks.

Prominent new customers during H2 2017 included Lucas' Papaw, Cellmid (ASX: CDY) and Unilever Pakistan. They all are presently contributing to revenue. The company also announced in H2 2017 that it had been awarded the print contract for the Mexican National Lottery winning ticket register but this award has been subject to appeal and has not commenced. The Board is reviewing its strategy in Mexico but due to poor performance and high cost has resolved not to renew the JV and consulting agreement with Affrymx which came up for its first review in February 2018. The clear management focus for 2018 is closing the existing revenue pipeline, the Australia – China corridor, monetising Motif Micro and YPB's CONNECT platform.

Costs, and particularly cost productivity, remain an intense focus with discipline and control enhanced under new CFO Adrian Tan who commenced in early January 2018. Costs may rise as the business expands but will greatly lag revenue growth.

The acquisition of Motif Micro, the mass-market, smartphone-readable, unfakeable, anti-counterfeit technology, was completed in H2 2017 with final settlement in January 2018. Developed at a world-renowned US education institute, Motif Micro is a true generational leap in anti-counterfeit technology. A more detailed announcement re Motif Micro will be made in the near future to explain the technology, its potential and the commercialisation strategy.

YPB Executive Chairman John Houston said: "2017 was a poor year financially but the remedial action taken in the second half sets the company up for a greatly improved 2018. Customer conversion and consequent revenue growth together with prudent cost management will be the primary drivers of achieving our expectation of a pre-tax profit of at least \$5m in 2018."

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ABOUT YPB (ASX: YPB)

In a rapidly changing world, brands need to do more than make great products, they need to **PROTECT** their consumer by allowing them to verify that their purchase is real and as a result buy with confidence. This is a proven initiative to trigger the consumer to **CONNECT** with brands.

YPB provides real protection for quality brands with a focus on product authenticity. Simultaneously, we provide a gateway for brands to connect with their consumers and engender trust in authenticity by utilising the power of the smartphone.

In an evolving marketplace and with the rapid growth of cross border commerce, YPB leverages serialisation and patented authentication solutions so that insightful data can flow between brands and their consumers.

YPB is the obvious choice to **PROTECT, DETECT** and **CONNECT**.

www.ypbsystems.com

YPB Group Ltd
Appendix 4E
Preliminary final report

1. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	32.2% to	2,021
Loss from ordinary activities after tax attributable to the owners of YPB Group Ltd	down	32.2% to	(11,154)
Loss for the year attributable to the owners of YPB Group Ltd	down	32.2% to	(11,154)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$11,154,000 (31 December 2016: \$16,441,000).

2. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.74)</u>	<u>0.67</u>

3. Control gained over entities

Not applicable.

4. Loss of control over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

The financial statements are in the process of being audited.

10. Signed

Signed 

Date: 28 February 2018

YPB Group Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	Consolidated 2017 \$'000	2016 \$'000
Revenue	2	2,021	2,982
Expenses			
Production costs		(1,007)	(1,823)
Consulting fees		(1,580)	(1,068)
Depreciation and amortisation expense		(967)	(970)
Directors' fees		(142)	(171)
Employee benefits expense		(3,255)	(5,126)
Finance costs		(439)	(198)
Rental expenses		(314)	(409)
Research and development		(1,023)	(1,570)
Marketing		(79)	(561)
Traveling expense		(601)	(1,253)
Options expense		(1)	(202)
Share-based payments		(179)	(515)
Regulatory expenses		(121)	(234)
Professional fees		(416)	(316)
Other expenses		(1,292)	(851)
Impairment of goodwill and other intangible assets		-	(3,267)
Diminution in fair value of financial assets		(1,775)	(1,060)
Loss before income tax benefit	3	(11,170)	(16,612)
Income tax benefit		16	171
Loss after income tax benefit for the year attributable to the owners of YPB Group Ltd		(11,154)	(16,441)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(245)	(225)
Other comprehensive loss for the year, net of tax		(245)	(225)
Total comprehensive loss for the year attributable to the owners of YPB Group Ltd		(11,399)	(16,666)
		Cents	Cents
Basic earnings per share	17	(4.49)	(8.76)

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 2017

	Note	Consolidated 2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	845	2,715
Trade and other receivables	5	631	729
Inventories	6	333	348
Financial assets	7	-	2,250
Total current assets		<u>1,809</u>	<u>6,042</u>
Non-current assets			
Plant and equipment	8	1,027	588
Intangibles	9	17,219	12,081
Total non-current assets		<u>18,246</u>	<u>12,669</u>
Total assets		<u>20,055</u>	<u>18,711</u>
Liabilities			
Current liabilities			
Trade and other payables	10	6,779	2,177
Deferred revenue		240	-
Financial liabilities	11	1,798	-
Borrowings	12	988	-
Total current liabilities		<u>9,805</u>	<u>2,177</u>
Non-current liabilities			
Borrowings	12	-	3,024
Other liabilities		-	1
Total non-current liabilities		<u>-</u>	<u>3,025</u>
Total liabilities		<u>9,805</u>	<u>5,202</u>
Net assets		<u>10,250</u>	<u>13,509</u>
Equity			
Issued capital	13	49,124	41,317
Reserves	14	4,139	4,051
Accumulated losses		<u>(43,013)</u>	<u>(31,859)</u>
Total equity		<u>10,250</u>	<u>13,509</u>

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

YPB Group Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2017

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 2016	33,606	393	2,566	-	(15,418)	97	21,244
Loss after income tax benefit for the year	-	-	-	-	(16,441)	-	(16,441)
Other comprehensive loss for the year, net of tax	-	-	(225)	-	-	-	(225)
Total comprehensive loss for the year	-	-	(225)	-	(16,441)	-	(16,666)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of transaction costs	7,449	-	-	-	-	-	7,449
Options exercised during the year	2	-	-	-	-	-	2
Shares granted from consulting agreement	260	-	-	-	-	-	260
Options granted during the year	-	302	-	-	-	-	302
Share based payments	-	-	-	-	-	918	918
Balance at 31 December 2016	<u>41,317</u>	<u>695</u>	<u>2,341</u>	<u>-</u>	<u>(31,859)</u>	<u>1,015</u>	<u>13,509</u>
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	-	-	-	-	(11,154)	-	(11,154)
Other comprehensive loss for the year, net of tax	-	-	(245)	-	-	-	(245)
Total comprehensive loss for the year	-	-	(245)	-	(11,154)	-	(11,399)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of transaction costs	7,807	-	-	-	-	-	7,807
Options granted during the year	-	1	-	-	-	-	1
Share based payments	-	-	-	-	-	76	76
Warrant options issued	-	-	-	256	-	-	256
Balance at 31 December 2017	<u>49,124</u>	<u>696</u>	<u>2,096</u>	<u>256</u>	<u>(43,013)</u>	<u>1,091</u>	<u>10,250</u>

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

YPB Group Ltd
Statement of cash flows
For the year ended 31 December 2017

	Note	Consolidated	
		2017	2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		2,159	3,262
Payments to suppliers and employees		(9,465)	(12,755)
Interest received		7	37
Finance costs		(439)	(198)
		<u> </u>	<u> </u>
Net cash used in operating activities	16	<u>(7,738)</u>	<u>(9,654)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(26)	(353)
Payments for intangibles		(1,038)	-
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(1,064)</u>	<u>(353)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		3,237	8,214
Proceeds from related party loans		1,002	-
Proceeds from issue of options		1	-
Repayment of loan from related party		-	(8)
Settlement of deferred share consideration		475	1,690
Proceeds from issue of convertible notes		2,217	-
Repayment of borrowings		-	(51)
		<u> </u>	<u> </u>
Net cash from financing activities		<u>6,732</u>	<u>9,845</u>
Net decrease in cash and cash equivalents		(1,870)	(162)
Cash and cash equivalents at the beginning of the financial year		<u>2,715</u>	<u>2,877</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	4	<u><u>845</u></u>	<u><u>2,715</u></u>

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

Note 1. 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 2017, 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 represent by one business segment apart from a specialised counterfeit printing operation.

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

- 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.

The specialised printing operation provides its customers with a dedicated product range, including:

- Anti-counterfeiting solutions to brands and resellers in the areas of packaging and labelling.

Consolidated - 2017	Print Solutions \$'000	Other segments \$'000	Total \$'000
Revenue			
Sales to external customers	223	1,791	2,014
Interest revenue	-	7	7
Total revenue	<u>223</u>	<u>1,798</u>	<u>2,021</u>
EBITDA	(256)	(7,733)	(7,989)
Depreciation and amortisation	-	(967)	(967)
Impairment of assets	-	(1,775)	(1,775)
Finance costs	-	(439)	(439)
Loss before income tax benefit	<u>(256)</u>	<u>(10,914)</u>	<u>(11,170)</u>
Income tax benefit			16
Loss after income tax benefit			<u>(11,154)</u>
Assets			
Segment assets	2	20,053	20,055
Total assets			<u>20,055</u>
Liabilities			
Segment liabilities	67	9,738	9,805
Total liabilities			<u>9,805</u>

YPB Group Ltd
Notes to the financial statements
31 December 2017

Note 1. Operating segments (continued)

Consolidated - 2016	Print Solutions \$'000	Other segments \$'000	Total \$'000
Revenue			
Sales to external customers	662	2,283	2,945
Interest revenue	-	37	37
Total revenue	<u>662</u>	<u>2,320</u>	<u>2,982</u>
EBITDA			
Depreciation and amortisation	(564)	(11,613)	(12,177)
Impairment of assets	(13)	(957)	(970)
Finance costs	(117)	(3,150)	(3,267)
	-	(198)	(198)
Loss before income tax benefit	<u>(694)</u>	<u>(15,918)</u>	<u>(16,612)</u>
Income tax benefit			171
Loss after income tax benefit			<u>(16,441)</u>
Assets			
Segment assets	140	18,571	18,711
Total assets			<u>18,711</u>
Liabilities			
Segment liabilities	177	5,025	5,202
Total liabilities			<u>5,202</u>

Geographical information

	Sales to external customers		Geographical assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Australia	1,013	1,271	949	6,220
Peoples Republic of China and HK	39	299	10,856	11,162
Thailand	486	331	498	772
United States of America	483	1,081	7,752	557
	<u>2,021</u>	<u>2,982</u>	<u>20,055</u>	<u>18,711</u>

Note 2. Revenue

	Consolidated	
	2017 \$'000	2016 \$'000
<i>Revenue</i>		
Sale of goods	<u>2,014</u>	<u>2,945</u>
<i>Other revenue</i>		
Interest	<u>7</u>	<u>37</u>
Revenue	<u><u>2,021</u></u>	<u><u>2,982</u></u>

YPB Group Ltd
Notes to the financial statements
31 December 2017

Note 3. Loss for the period

The loss for the period includes the following expenses:

	Consolidated	
	2017	2016
	\$'000	\$'000
Finance costs	439	198
Research and development costs	1,023	1,570
Depreciation and amortisation	967	970
Impairment of goodwill & other intangible assets	-	3,267
Rental expense on operating leases - minimum lease payments	314	409
Diminution in fair value of financial assets	1,775	1,060
	<u>4,518</u>	<u>7,474</u>

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash on hand	2	4
Cash at bank	843	2,711
	<u>845</u>	<u>2,715</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade receivables	361	348
Sundry receivables	270	381
	<u>631</u>	<u>729</u>

Note 6. Current assets - inventories

	Consolidated	
	2017	2016
	\$'000	\$'000
Finished goods - at cost	333	348
	<u>333</u>	<u>348</u>

Note 7. Current assets - financial assets

	Consolidated	
	2017	2016
	\$'000	\$'000
Receivable from Lanstead	-	2,250

The fair value of the Lanstead receivable as at 31 December 2017 has been estimated as follows:

	Share price	Number of shares outstanding	Fair value
	\$		\$
Value recognised on inception	0.26	19,231	5,000
Consideration received up to 31 December 2016		(10,150)	(1,690)
Gain/(loss) on diminution in fair value of the Lanstead receivable		-	(1,060)
Value of the Lanstead receivable at 31 December 2016		9,081	2,250
Consideration received up to 31 December 2017		(9,081)	(475)
Gain/(loss) on diminution in fair value of the Lanstead receivable		-	(1,775)
Value of the Lanstead receivable at 31 December 2017		-	-

The diminution in fair value, as recognised during the period, is a result of the actual share price of the company trading below the reference share price agreed on at the time of the underlying contract. Management does not anticipate further funding to be forthcoming from this facility and has subsequently recognised a diminution for the remaining receivable

Note 8. Non-current assets - plant and equipment

	Consolidated	
	2017	2016
	\$'000	\$'000
Plant and equipment - at cost	1,264	750
Less: Accumulated depreciation	(237)	(162)
	1,027	588

Plant and equipment includes capital expenditure of \$830,143 relating to various printing assets acquired by the Group and held in YPB Group (USA) Inc. under an agreement with a joint venture party.

The printing assets are currently secured in storage and are not put into use and are therefore not subject to depreciation.

YPB Group Ltd
Notes to the financial statements
31 December 2017

Note 8. 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 2016	313	313
Additions	353	353
Exchange differences	2	2
Depreciation expense	(80)	(80)
	<hr/>	<hr/>
Balance at 31 December 2016	588	588
Additions	515	515
Exchange differences	(5)	(5)
Depreciation expense	(71)	(71)
	<hr/>	<hr/>
Balance at 31 December 2017	<u>1,027</u>	<u>1,027</u>

Note 9. Non-current assets - intangibles

	Consolidated	
	2017	2016
	\$'000	\$'000
Goodwill - at cost	3,089	3,089
Less: Accumulated impairment losses	(3,089)	(3,089)
	<hr/>	<hr/>
	-	-
Intellectual property - at cost	13,052	13,804
Less: Accumulated amortisation	(2,614)	(1,723)
	<hr/>	<hr/>
	10,438	12,081
Customer relationships	206	206
Less: Accumulated amortisation	(28)	(28)
Less: Accumulated impairment losses	(178)	(178)
	<hr/>	<hr/>
	-	-
Patent licence rights	6,781	-
	<hr/>	<hr/>
	<u>17,219</u>	<u>12,081</u>

Note 9. 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 2016	3,084	12,901	191	-	16,176
Exchange differences	5	70	1	-	76
Impairment of assets	(3,089)	-	(178)	-	(3,267)
Amortisation & impairment expense	-	(890)	(14)	-	(904)
Balance at 31 December 2016	-	12,081	-	-	12,081
Additions	-	-	-	6,781	6,781
Exchange differences	-	(752)	-	-	(752)
Amortisation & impairment expense	-	(891)	-	-	(891)
Balance at 31 December 2017	<u>-</u>	<u>10,438</u>	<u>-</u>	<u>6,781</u>	<u>17,219</u>

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

Patent Licence Rights

On 13 September 2017, the Company entered into an agreement with Motif Micro Inc. ('Motif Micro'), in order to acquire Motif Micro's patented licence rights ('the transaction') 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.

Effective 19 December 2017, the Company ratified its commitment to the transaction for a total consideration of \$6,780,660 (US \$5,288,915), to be settled by a mix of cash and shares.

As at year-end, \$5,320,513 (US \$4,150,000) remains payable under the agreement and has been recognised in current liabilities.

Subsequent to year-end, and following a successful capital raise, the total payable has been settled as follows:

- \$1,474,359 (US \$1,150,000) in cash
- \$3,846,154 (US \$3,000,000) via the issue of 82,636,685 shares.

Note 10. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade payables	1,081	1,202
Sundry payables and accruals	5,698	975
	<u>6,779</u>	<u>2,177</u>

Included in sundry payables is an amount of \$5,320,513 relating to the patent licence rights acquired in December 2017, as outlined in Note 9 above. The debt has been fully settled subsequent to year end.

Note 11. Current liabilities - financial liabilities

	Consolidated	
	2017	2016
	\$'000	\$'000
Convertible notes (Bracknor facility)	1,798	-

During October 2017, the Group commenced discussions with Bracknor Investment Group to alter the terms of the existing facility.

The variations are centered around the Group wanting to exit the facility by settlement, mainly in cash or shares issued at a discount, within the next 6 months.

The final terms are yet to be formally approved, however the Group subsequent to year-end, on 22 January 2018, settled the first of two repayment tranches with Bracknor Investment Group amounting to \$891,236. The final repayment tranche is yet to be agreed on, with the outstanding balance attracting interest at 20%pa.

Note 12. Borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
Current		
Loans to related parties	988	-
Non-current		
Loans to related parties	-	3,024
	<u>988</u>	<u>3,024</u>

During the year \$2,784,000 relating to the prior year loans were converted into ordinary shares. The balance as at year end includes new funding provided by Ronald Langley and related entities of John Houston. The loans attract an interest rate of 8% and are unsecured.

Ronald Langley's loan amounting to \$500,000 represents a short-term bridging loan which settled during January 2018 by the issue of ordinary shares.

YPB Group Ltd
Notes to the financial statements
31 December 2017

Note 13. Equity - issued capital

	2017	Consolidated		
	Shares	2016	2017	2016
		Shares	\$'000	\$'000
Ordinary shares - fully paid	399,463,400	211,887,886	49,124	41,317

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 January 2016	170,400,287	33,606
Exercise of share options	17 February 2016	10,000	2
Issuance in accordance with consulting arrangement	17 February 2016	1,000,000	260
Issued in lieu of directors' fees	13 May 2016	648,486	-
Share placement	30 May 2016	18,916,667	4,540
Issued under share-based payments	6 June 2016	944,446	227
Issued under share-based payments	8 August 2016	200,000	-
Conversion of performance rights	8 August 2016	3,488,000	-
Share placement	26 October 2016	16,000,000	4,000
Issued under share-based payments	27 October 2016	280,000	-
Less: Transaction costs on shares issued, net of tax		-	(1,318)
Balance	31 December 2016	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

Note 13. Equity - issued capital (continued)

Movements in options on issue

Details	Date	Options	\$'000
Balance	1 January 2016	40,053,884	393
Exercise of share options	17 February 2016	(10,000)	-
Options issued in lieu of retainer	6 June 2016	3,000,000	99
Options issued as management incentive	6 June 2016	4,000,000	160
Options issued as sign on fee	8 August 2016	400,000	9
Options issued upon purchase of shares by employees	27 October 2016	788,000	34
Options issued as part of capital raising	12 December 2016	64,000,000	-
Balance	31 December 2016	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)	-
Balance	31 December 2017	<u>72,534,000</u>	<u>696</u>

Movements in share based payments

Details	Date	\$'000
Balance	1 January 2016	97
Performance rights granted	13 May 2016	203
Issued under share-based payments	8 August 2016	627
Performance rights granted	8 August 2016	36
Issued under share-based payments	27 October 2016	52
Balance	31 December 2016	1,015
Issued under share based payments	21 July 2017	26
Issued under share based payments	3 October 2017	50
Balance	31 December 2017	<u>1,091</u>

Note 14. Equity - reserves

	Consolidated	
	2017	2016
	\$'000	\$'000
Foreign currency reserve	2,096	2,341
Options reserve	696	695
Share-based payments reserve	1,091	1,015
Warrant options reserve	256	-
	<u>4,139</u>	<u>4,051</u>

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.

YPB Group Ltd
Notes to the financial statements
31 December 2017

Note 14. Equity - reserves (continued)

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 – refer to note 11.

Note 15. 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 :

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
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 16. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017 \$'000	2016 \$'000
Loss after income tax benefit for the year	(11,154)	(16,441)
Adjustments for:		
Unrealised foreign exchange	269	(308)
Depreciation and amortisation expense	967	970
Impairment of goodwill & customer relationships	-	3,267
Options expense	1	202
Share-based payments	179	515
Diminution in fair value of financial assets	1,775	1,060
Change in operating assets and liabilities; net of the effects of purchase and disposal of subsidiaries		
Decrease in trade and other receivables	98	491
Decrease/(increase) in inventories	15	(169)
Increase in trade and other payables	112	759
Net cash used in operating activities	<u>(7,738)</u>	<u>(9,654)</u>

Note 17. Earnings per share

	Consolidated	
	2017	2016
	\$'000	\$'000
Loss after income tax attributable to the owners of YPB Group Ltd	<u>(11,154)</u>	<u>(16,441)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>248,202,931</u>	<u>187,755,202</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>248,202,931</u>	<u>187,755,202</u>
	Cents	Cents
Basic earnings per share	(4.49)	(8.76)

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