

## APPENDIX 4E

### Reporting period

Current reporting period: Year ended 30 June 2023  
 Previous reporting period: Year ended 30 June 2022

### Results for announcement to the market

#### Revenue from ordinary activities

Continuing operations	up	45%	to	\$2,949,228	from	\$2,031,794
Loss from ordinary activities after tax attributable to members	up	20%	to	(\$10,918,030)	from	(\$9,082,800)
Net loss for the period attributable to members	up	20%	to	(\$10,918,030)	from	(\$9,082,800)

#### Dividends

	Amount per share	Franked amount per share
Final	\$ nil	n/a
Interim	\$ nil	n/a

Record date for determining entitlements to dividends: n/a

#### Brief explanation necessary to enable the figures above to be understood

Refer to the Directors' Report included in the attached Financial Statements.

### Net tangible assets

30 June 2023: Net tangible asset backing 0.44 cents per share<sup>1</sup>  
 30 June 2022: Net tangible asset backing 0.39 cents per share<sup>1</sup>

#### Notes:

1. This calculation excludes right of use assets and associated liabilities

### Other

The Company has no equity interests in any associates or joint ventures.

Accounting standards used in relation to the Company's foreign subsidiaries in compiling this financial report are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**ADVERTITAS LIMITED**

**ABN 88 156 377 141**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

# Adveritas Limited

## Corporate Directory

### Directors

Non-Executive Chairman	Mr Joshua Lowcock
Managing Director and Chief Executive Officer	Mr Mathew Ratty
Non-Executive Directors	Mr Renaud Besnard Mr Mark McConnell Mr Andrew Stott

### Company Secretary

Ms Susan Park

### Principal and Registered Office

Suite 10, 16 Brodie Hall Drive  
Bentley WA 6102

Telephone: +61 8 9473 2500  
Facsimile: +61 8 9473 2501

### Share Register

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Securities Exchange Listing

Adveritas Limited shares are listed on the Australian Securities Exchange  
(ASX: AV1)

### Solicitors

Steinepreis Paganin  
Level 4, The Read Building  
16 Milligan Street  
Perth WA 6000

### Bankers

Commonwealth Bank of Australia Limited  
1/95 William Street  
Perth WA 6000

### Auditors

Ernst & Young  
The EY Building  
11 Mounts Bay Road  
Perth WA 6000

# Adveritas Limited

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# Adveritas Limited

## Directors' Report

The directors present their report together with the consolidated financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as the **Group**) for the financial year ended 30 June 2023 and the independent auditor's report thereon.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless stated otherwise.

**Mr Joshua Lowcock**  
**Non-Executive Chairman, appointed on 17 July 2023**

Mr Lowcock, who resides in New York, is a recognised expert in digital and media with a career that has spanned Australia, the United States and China. Mr Lowcock currently serves as the Global Chief Media Officer of UM, part of Interpublic Group (NYSE: IPG) which is one of the largest media agencies in the world and trades with a market capitalisation of USD\$15b. In that role, Mr Lowcock oversees all omnichannel media and marketing spend for a variety of Fortune 500 clients, as well as partner ad product, advertising technology, and marketing technology innovation.

Mr Lowcock holds a B.A (Communications) from Western Sydney University, MBA (Executive) from the Australian Graduate School of Management (AGSM) and is a Member of the Australian Institute of Company Directors (MAICD). Mr Lowcock currently serves as a non-executive director of Accent Group Limited (ASX: AX1) and Cashrewards Limited (ASX: CRW, delisted on 21 January 2022). He previously served as a non-executive director of Prime Media Group Limited (ASX: PRT, Mr Lowcock resigned on 31 December 2021).

**Mr Stephen Belben**  
**Non-Executive Chairman, resigned on 14 July 2023**

Mr Belben has over 20 years' experience in both executive and non-executive director roles, at a number of public and private companies. This experience follows 9 years as a senior partner at Ernst & Young, specialising in corporate and assurance work in Australia. Whilst at Ernst & Young, Mr Belben was appointed the national partner in charge of one of the firm's largest Industry Group's where he was responsible for the development and servicing of a major client base in that sector in Australia.

Mr Belben is a Chartered Accountant and holds a Bachelor of Accountancy degree and a Bachelor of Commerce Honours degree.

During the last three years, Mr Belben has not served as a director of any other ASX listed company.

**Mr Mathew Ratty**  
**Managing Director and Chief Executive Officer**

Mr Ratty is an experienced investor focused on Australian and US equity and debt markets. He has extensive experience across capital raising advice, seed investment negotiation, corporate strategy and financial modelling.

He is the co-founder of MC Management Group Pty Ltd, a venture capital firm operating in domestic and international debt and equity markets. At MC Management Group Pty Ltd, which is a substantial shareholder of the Company, Mr Ratty holds the position of Head of Investment and is responsible for negotiating deal structures and asset pricing for companies in the healthcare, financial and technology space.

Prior to this, Mr Ratty was a director and analyst at property development and equity company, Gladstone Bridge.

Mr Ratty holds a Bachelor of Commerce (Property and Finance) with first class honours in finance from Curtin University of Technology.

During the last three years Mr Ratty has not served as a director of any other ASX listed company.

# Adveritas Limited

## Directors' Report

### DIRECTORS (continued)

#### **Mr Renaud Besnard** **Non-Executive Director**

Mr Besnard is a senior growth and marketing executive, and founder of Almonte Advisory Inc based in San Francisco. Mr Besnard's roles have included Vice President, Growth lab at PayPal, Senior Director of Global Growth and Product Marketing at Twitter, and Director of Marketing for Asia-Pacific (excl. India) at Uber Technologies Inc. Prior to joining Uber, Mr Besnard was a long-standing Google executive, having spent over 10 years in senior positions in Europe and Asia, including Head of Ads Product Marketing.

Mr Besnard is very experienced at developing and executing marketing strategies and leading global growth operations and marketing campaigns across consumer and advertiser audiences.

Mr Besnard holds a Bachelor degree in Commerce from ESSCA Business School (France), a Masters in International Business from the University of Manchester (UK) and an MBA from the University of Oxford (UK).

During the last three years, Mr Besnard has not served as a director of any other ASX listed company.

#### **Mr Mark McConnell** **Non-Executive Director**

Mr McConnell is a successful business developer whose skills cover the areas of business strategy, investor relations, capital raising and innovation. He has extensive experience in both listed and unlisted technology companies in Australia and abroad. He co-founded the Citadel Group Limited in 2007, a leading software and technology company that specialises in secure enterprise information management.

Mr McConnell currently serves as the Chief Executive Officer of Citadel Pty Ltd and acts as an advisor to several technology start up companies.

Mr McConnell has a Bachelor of Science, a Graduate Diploma of Employment Relations, a Graduate Diploma of Logistics Management, and a Masters of Business Administration. He is also a Fellow of the Australian Institute of Company Directors (FAICD).

During the last three years, Mr McConnell has served as an executive director of Citadel Group Limited (ASX: CGL) and as a non-executive director of Viva Leisure Limited (ASX: VVA). Citadel Group Limited delisted from the Australian Securities Exchange on 18 December 2020. Mr McConnell resigned as a director of Viva Leisure Limited on 6 November 2020.

#### **Mr Andrew Stott** **Non-Executive Director**

Mr Stott has significant experience in global technology mergers and acquisitions for listed and unlisted companies. He is originally from the UK and worked in London and New York before moving to Singapore in 2012 to open the offices of an international tech-focussed law firm. Mr Stott became the Asia managing partner, and regional head of corporate and advised on in excess of US\$20bn in transactions in Asia, Australia, Europe and the USA. Mr Stott established his own advisory firm in early 2018 and worked as a consultant to Adveritas over the period August 2018 to May 2023, helping implement its expansion strategy through relationships with internationally based customers and partners.

Mr Stott's advisory firm specialises in the TMT and Fintech sectors and advises companies and investors on their expansion strategies including by way of international M&A, investment deals and strategic joint ventures as well as sector-partnership deals. He has founded/co-founded 4 companies and been part of multiple successful exits as an investor/advisor.

Mr Stott holds an LLB Degree in Law and, prior to establishing his advisory firm, served as the Asia managing partner of a global law firm.

During the last three years, Mr Stott has not served as a director of any other ASX listed company.

# Adveritas Limited Directors' Report

## INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2023 and as of the date of this report, the interests of the directors in the securities of the Company were as follows:

	As at 30 June 2023			As at the date of this report		
	Ordinary shares	Share options	Performance Rights	Ordinary shares	Share options	Performance Rights
J. Lowcock <sup>1</sup>	-	-	-	380,000	-	-
S. Belben <sup>2,3</sup>	810,000	1,250,000	-	-	-	-
M. Ratty	27,460,544	-	5,000,000	27,460,544	-	5,000,000
R. Besnard <sup>3</sup>	-	1,250,000	-	-	-	-
M. McConnell <sup>3</sup>	89,586,767	1,250,000	-	100,503,433	-	-
A. Stott <sup>3</sup>	1,100,000	1,250,000	-	1,100,000	-	-

1. Mr Lowcock was appointed as Non-Executive Chairman on 17 July 2023, at which point he held no interest in any securities of the Company.
2. Mr Belben resigned as Non-Executive Chairman on 14 July 2023, at which point he held 810,000 ordinary shares in the Company.
3. The share options held at 30 June 2023 expired unexercised on 3 July 2023.

## COMPANY SECRETARY

Ms Susan Park has over 20 years' experience in the corporate finance industry and has extensive experience in Company Secretarial and Non-Executive Director roles on ASX, AIM and TSX listed companies.

Ms Park holds a Bachelor of Commerce degree from the University of Western Australia majoring in Accounting and Finance, is a Member of Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors. She is also a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

## DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the provision of its TrafficGuard® SaaS (software as a service) products. TrafficGuard is the world's first full funnel measurement, verification and fraud prevention solution for digital advertising.

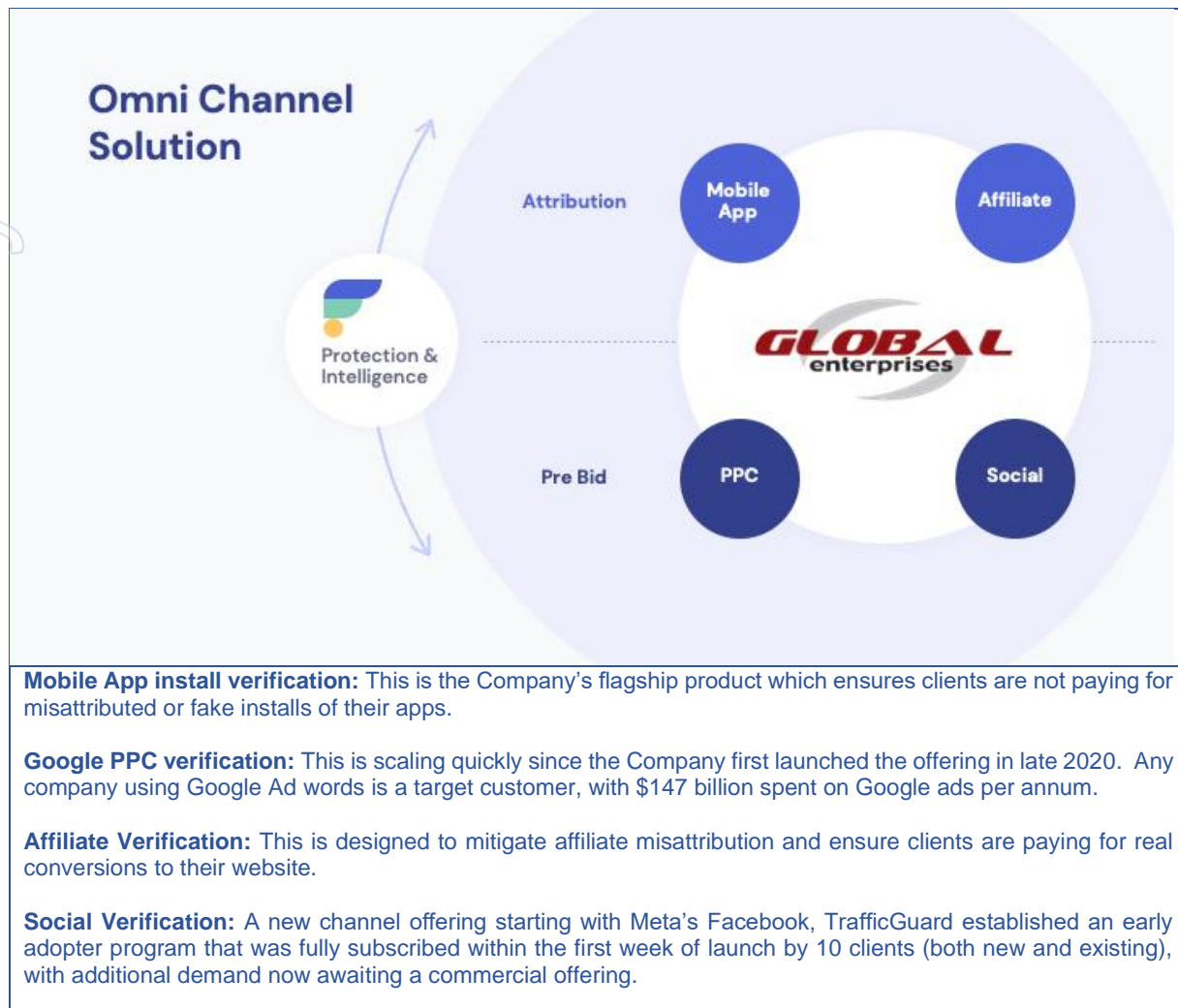
## OPERATING AND FINANCIAL REVIEW

### Strong revenue growth continues

Revenue recorded by the Group increased by 45% from \$2,031,794 in FY22 to \$2,949,228 in FY23. Similarly, the annualised revenue from contracts in place at year end increased by 45% from approximately \$2,500,000 in FY22 to circa \$3,600,000 in FY23.

The investment the Company has made in marketing and sales initiatives has led to a strong conversion of its sales pipeline.

TrafficGuard now offers four products, as illustrated below, the first digital ad-fraud company to offer a truly omni-channel digital marketing anti-fraud solution.



The Company has sold its omni-channel advertising fraud protection solutions to new and existing clients across verticals where the TrafficGuard suite is recognised as an industry leader. New blue-chip clients contracted during the current year include gaming business Better Collective, global online travel company Lux Escapes, and global media and entertainment business Disney Streaming Services

Focus on the Company's "Land and Expand" strategy, which is key to growth, has continued throughout the current year. The objective of this strategy is to successfully nurture existing client contracts to increase their usage and adopt multiple TrafficGuard products. TrafficGuard's expertise in the Gaming vertical, where the Company has unique strengths, has seen clients such as William Hill and Superbet expand product adoption across the TrafficGuard suite. Expansion of existing TrafficGuard solutions has also occurred across Online Education (Alison), and Telecommunications (Singtel).

### Industry Recognition

As organisations across the globe actively seek out ways to sharpen their digital marketing and advertising spend, the industry's awareness of TrafficGuard grows given its ability to reduce invalid traffic and ad fraud. Industry recognition and awards for TrafficGuard during FY23 included:

- winning the 2022 Global Digital Excellence awards for Best Platform Technology and Best Software Innovation,
- winning the 2022 Mobexx Award for Outstanding Mobile Attribution Solution,
- winning the 2023 APAC Search Award for the Best Software Tool,
- winning the Innovation Award at the 2023 iGB Affiliate Awards,
- being shortlisted for the AI Cyber Product of the Year 2022 at the National Cyber Awards,
- being named as a finalist for the Most Effective App Analytics Platform at the Effective Mobile Marketing Awards, and
- being nominated for the Best Tech for Affiliate Programs award at the iGB Affiliate Awards 2023.



# Adveritas Limited

## Directors' Report

### Capital raised

During the current year, the Company successfully raised approximately \$12,760,000 (before costs) by way of placements to new and existing sophisticated and professional investors. The Company also offered its shareholders the opportunity to purchase shares up to the value of \$30,000 at the same price as a placement announced in May 2023 (see ASX announcement dated 15 May 2023), irrespective of the size of their shareholding and without incurring brokerage or transaction costs. This share purchase plan raised \$257,000.

A further \$700,000 was received after year end as part of the second tranche of the placement announced in May 2023.

The capital raised has enabled the Company to focus on key areas which will promote future revenue growth:

- Processes to further streamline onboarding the significant pipeline of enterprise customers;
- Key enhancements to the suite of TrafficGuard products;
- Development of new product features and capabilities; and
- Sales and marketing initiatives to further grow the customer base, including self-serve customers.

### Financial summary

The financial information summarised below has been derived from the audited financial statements and is provided in this format to provide further insight into the Group's performance. The classifications "overheads" and "non-operating income and expenses" are non-IFRS measures.

	Note	FY23 \$	FY22 \$
<b>Revenue from software as a service</b>		<b>2,949,228</b>	<b>2,031,794</b>
<b>Grants received</b>	1	<b>1,979,591</b>	<b>74,850</b>
<b>Interest and sundry income</b>		<b>80,675</b>	<b>66,719</b>
Employment costs	2	(11,115,665)	(7,624,308)
Server hosting costs		(1,292,461)	(1,640,484)
Marketing costs	3	(1,735,115)	(639,891)
Administration costs		(1,759,954)	(1,834,973)
<b>Overheads</b>		<b>(15,903,195)</b>	<b>(11,739,656)</b>
Foreign exchange gains / (losses)		(63,699)	60,146
Depreciation		(183,778)	(141,843)
Share based payments reversal / (expense)	4	508,388	(980,757)
Finance costs	5	(799,210)	(83,645)
Fair value gain on convertible loan note derivative	6	471,000	914,100
Reversal of credit losses: trade debtors		-	197,627
Reversal of credit losses: deferred consideration		53,011	512,399
<b>Non-operating income and expenses</b>		<b>(14,288)</b>	<b>478,027</b>
<b>Loss before tax</b>		<b>(10,907,989)</b>	<b>(9,088,266)</b>
Income tax benefit / (expense)		(10,041)	5,466
<b>Loss after tax for the Group</b>		<b>(10,918,030)</b>	<b>(9,082,800)</b>

#### Notes

1. Grants received in FY23 were higher than FY22 as a result of the Company receiving Research and Development grant funds for FY21 and FY22 in FY23.
2. The increase in employment costs in FY23 from FY22 has been necessary to develop new products and features, build product enhancements, service a growing trial pipeline, build brand awareness and generate demand for the TrafficGuard products. The key hires that occurred during FY23 that have driven the cost increase include the Chief Product Officer, a dedicated product focussed team, the Head of Integrations, Vice President: Customer Success and Customer Success Director.
3. Marketing costs in FY23 are higher than FY22 as a result of the initiatives deployed to increase awareness of the TrafficGuard brand, promote the features of TrafficGuard's omni-channel service and grow the sales pipeline.
4. The net reversal of previously recognised share based expenses is due to the lapsing of performance rights that had not yet vested. Refer to Note 16 in the financial statements for further details.
5. Finance costs mainly relate to the convertible loan notes issued by the Company in April 2022. Refer to Note 5(i) and Note 13 in the financial statements for further details.
6. Refer to Note 13 in the financial statements for details of the convertible loan note derivative and the fair value gain that has arisen at balance date.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the Group's state of affairs during the course of the 2023 financial year.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

On 3 July 2023, 14,583,333 shares were issued to raise \$700,000. No event has arisen since 30 June 2023 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

## **LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS**

The Company has a solid cash position of \$6.3 million in the bank at 30 June 2023 to help fund its business development plan and growth objectives for FY24. Accelerating scale and sales efficiencies is a priority for the Company.

New clients in verticals such as Gaming and Retail, have strong cross channel needs and present the Company with opportunities to grow its client partnerships and boost revenue as they adopt additional solutions in the TrafficGuard suite.

With over twenty gaming operators, including BetVictor, Napoleon Games, Tabcorp and Copybet, now using TrafficGuard services, the Company is establishing itself as the leader in ad fraud and invalid traffic solutions for the Gaming industry. This provides the Company with significant knowledge of the challenges in this vertical and has enabled the Company to enhance the TrafficGuard products to better help these clients reduce fraud, drive better performance, and maximise return on ad spend. The Company is applying these enhancements across its suite of products which will also benefit other client verticals and promote revenue growth.

Having successfully completed the integration with the affiliate platform, Impact, and secured Disney Streaming Services as a client, the Company has experienced growing demand for its anti-fraud affiliate product, with existing clients looking to integrate TrafficGuard with their preferred affiliate platform. These one-time integrations for existing clients enable the Company to expand its remit and revenue, and also unlock new sales opportunities across the entire customer base of the affiliate platform.

The Company has invested in building and expanding TrafficGuard's capability for Google's Performance Max (PMax) product. PMax is Google's cross-channel (YouTube, Display, Search, Discover, Gmail, and App) performance advertising solution. PMax is a high priority for Google, with Google actively driving adoption and, in some cases, auto upgrading advertisers to PMax.

The Company's early alpha testing of its TrafficGuard PMax antifraud and protection solution with select clients is yielding positive results. The TrafficGuard PMax solution is scheduled to launch in the first quarter of FY24.

In addition to the growth opportunities arising from the Company's affiliate integration strategy and planned roll out of the TrafficGuard PMax solution, the Company has invested in streamlining and automating its client onboarding process. By then end of FY24, the Company anticipates that it will have moved to a fully automated system for integrating with new enterprise clients. The reduction and planned elimination of manual processes that are currently managed by the Company's sales team, will free capacity for increased sales and account management activity, and is expected to yield higher margins for the Company.

As TrafficGuard has consistently delivered outstanding results for its direct clients, digital marketing agencies have become increasingly familiar with the value and effectiveness of the TrafficGuard technology. Digital marketing agencies play a pivotal role in the advertising and marketing ecosystem, with longstanding client relationships and management of budgets across the full marketing funnel (brand and performance).

Several digital marketing agencies have expressed keen interest in implementing TrafficGuard across their entire client portfolio at scale. These agencies have recognised the immense value of TrafficGuard's ad fraud mitigation solutions in protecting their clients' investments and maximising advertising ROI. Opportunities to work with agencies not only enhance the Company's revenue potential but also solidifies TrafficGuard's industry leadership as a trusted partner in the fight against ad fraud.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group is not subject to any particular or specific environmental regulation in any of the jurisdictions in which it operates and therefore is not required to present further details in relation to environmental regulation.

# Adveritas Limited

## Directors' Report

### SHARE OPTIONS

#### Unissued shares

As at 30 June 2023, there were 5,000,000 unissued ordinary shares under options (30 June 2022: 6,500,000). These options had an exercise price of \$0.15 and expired unexercised on 3 July 2023.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Refer to the remuneration report and Note 16 for further details of the unissued ordinary shares under options.

#### Shares issued as a result of the exercise of options

During the financial year, no options were exercised to acquire ordinary shares (2022: 35,935,430).

### PERFORMANCE RIGHTS

#### Unissued shares

As at 30 June 2023 there were 11,200,000 unissued ordinary shares under performance rights (30 June 2022: 20,500,000).

Holders of performance rights do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

Refer to the remuneration report and Note 16 for further details of the performance rights outstanding.

#### Shares issued as a result of the conversion of performance rights

During the financial year no performance rights were converted into ordinary shares (2022: 6,250,000).

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### DIRECTORS' MEETINGS

The number of meetings of directors held by the Company during the year and the number of meetings attended by each director were as follows:

Number of meetings held	7	
	Number of meetings eligible to attend	Number of meetings attended
S. Belben	7	7
M. Ratty	7	7
R. Besnard	7	7
M. McConnell	7	7
A. Stott	7	7

### Committee Membership

Due to the Company's relatively small size and board structure, separate Remuneration and Audit Committees have not been constituted. The full board of directors assumes responsibility for any such matters as outlined in the Company's corporate governance plan.

# Adveritas Limited

## Directors' Report

### NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young Australia and Ernst & Young Australia received or is due to receive the following amounts for the provision of such services:

	2023	2022
	\$	\$
Tax compliance services	<u>38,000</u>	<u>115,603</u>

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means the auditor's independence was not compromised.

### AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Ernst & Young Australia, to provide the directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. The directors received the Independence Declaration set out on page 21 for the year ended 30 June 2023.

### REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2023 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001, as amended* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Remuneration outcomes
4. Executive contracts
5. Additional disclosures relating to performance rights, options and shares
6. Other transactions and balances with key management personnel and their related parties

#### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent entity.

The list below outlines the KMP of the Group during the financial year ended 30 June 2023. Unless otherwise indicated, the individuals were KMP for the entire financial year.

For the purposes of this report, the term "executive" indicates the executive directors and senior executives of the Group.

#### Non-Executive Directors (NEDs)

S. Belben	Non-Executive Chairman
R. Besnard	Non-Executive Director
M. McConnell	Non-Executive Director
A. Stott	Non-Executive Director

#### Executive Directors

M. Ratty	Managing Director and Chief Executive Officer
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#### Senior Executives

M. Sutton	Chief Operating Officer
E. Shuggi	Chief Product Officer (appointed on 14 November 2022)
C. Kinlay	Chief Marketing Officer
F. Muir	Chief Financial Officer
L. Taylor	Founder

#### 2. Remuneration governance

##### 2(a) Remuneration Philosophy

The performance of the Group depends upon the quality of the directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 2(b) Remuneration Committee

The current size of the Group and structure of the board of directors does not warrant a separate remuneration committee. The board of directors as a whole (**Board**) is currently responsible for determining and reviewing compensation arrangements for directors and executives. Directors are excluded from discussions and voting on their own remuneration arrangements.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

#### 2(c) Remuneration Structure: Non-Executive Director Remuneration

##### Fixed Remuneration

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

The Board seeks to set aggregate remuneration of non-executive directors at a level that provides the Group with the ability to attract and retain high calibre directors, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration set pursuant to Adveritas Limited's constitution is \$500,000 per year, which may be varied by shareholders in general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board does not currently seek external remuneration advice.

Each non-executive director receives a fee for being a director of the Company.

##### Options

No options were issued to any non-executive director in the current year (2022: nil).

#### 2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration

##### (i) Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward executives;
- Align the interests of executives with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

##### (ii) Principles of Compensation

Compensation levels for employees of the Group are competitively set to attract and retain appropriately qualified and experienced senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance, relevant comparative information and expert advice if required.

##### (iii) Structure

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- Variable Remuneration
  - Short-term incentives
  - Long-term incentives

The Board establishes the proportion of fixed and variable remuneration for each executive.

**REMUNERATION REPORT (AUDITED) (continued)**

**2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration (continued)**

**Fixed Remuneration**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The Board periodically reviews fixed remuneration when extending or otherwise amending the employment contracts of key executives. This review takes into account the overall performance of the executive and of the Group. The Board considers the executive's performance of the specific duties and tasks set out in their employment contracts which were included based on the general nature of the executive's role together with any specific requirements from the Board.

Executives may be given the flexibility to receive their remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

**Variable Remuneration – short-term incentive**

The objective of short-term incentives is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. Operational targets are set periodically by the Board and include matters such as the funding of the Company, the timing of technological developments and the implementation of sales and marketing strategies.

From time to time, cash bonuses (short-term incentives) are paid where an executive has met a short-term objective of the Group. Such bonuses are paid when specific criteria which are set by the Board are met. These criteria are linked to the operational targets set by the Board. In some instances, cash bonuses are paid when the Board determines that an executive has made contributions that are significant and beyond the normal expectations of their role. In making such determinations, the Board will consider a number of factors including the area of the business that has been impacted by the executive's contributions and the alignment of these contributions to the Group's overall strategy.

During the year, the following short-term incentive objectives, which were aligned with performance rights granted under a long-term incentive, were in place for Mathew Ratty:

- Maximum bonus of \$101,500 payable on the achievement of annualised revenue of US\$3.5 million from contracts in place at 31 March 2023, and
- Maximum bonus of \$43,500 payable on the achievement of annualised revenue of US\$5 million from contracts in place at 31 March 2023.

These objectives were not met in the current year and an STI of nil (2022: nil) was paid out.

There were no other short-term incentives in place during 2023.

**Variable Remuneration – long-term incentive**

Long-term incentives are delivered in the form of options and performance rights.

Performance rights and options are generally issued in accordance with the terms and conditions of the Adveritas Performance Rights and Options Plan (**Plan**) that has been approved by the Company's shareholders.

Pursuant to the listing rules of the Australian Securities Exchange (**Listing Rules**), the Company's shareholders are required to re-approve the Plan and all unallocated securities issuable under it every three years. The Company's current Plan was approved by shareholders at the 2021 AGM.

The key features of the Plan are as follows:

- **Offer:** The Company's board of directors (**Board**) may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- **Issue price:** Performance Rights granted under the Plan will be issued for nil cash consideration. Unless the Options are quoted on the Australian Securities Exchange (**ASX**), Options issued under the Plan will be issued for no more than nominal cash consideration.
- **Exercise price:** The Board may determine the Option exercise price in its absolute discretion provided it is not lower than any minimum price specified in the ASX Listing Rules.
- **Vesting conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion.
- **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) resolve to waive any of the Vesting Conditions applying to Awards due to Special Circumstances (as defined in the Plan) arising in relation to the holders of the Awards.

**REMUNERATION REPORT (AUDITED) (continued)**

**2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration (continued)**

**Variable Remuneration – long-term incentive (continued)**

- **Lapse of an Award:** An Award will lapse upon the earlier of:
  - an unauthorised dealing, or hedging of, the Award occurring;
  - a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion;
  - in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award or to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
  - in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
  - the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
  - the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
  - the expiry date of the Award.
- **Not transferrable:** Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (Restriction Period). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- **No participation rights:** There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.
- **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.
- **Amendments:** Subject to express restrictions set out in the Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Award granted under the Plan including giving any amendment retrospective effect.

In the event that an offer of an Award to an executive will result in the maximum Awards allowed under the Plan being exceeded, the offer will not be covered by ASIC Class Order 14/1000 and the Company will be required to address the secondary sale requirements of any shares issued upon exercise of the Award. This includes the Company lodging a cleansing notice under Section 708A(5) of the *Corporations Act 2001* or a prospectus under Section 708A(11) of the same Act.

During the current year, 10,000,000 performance rights were granted to executives (2022: 20,500,000). There were no options awarded to executives in the current year (2022: nil). The performance rights issued during the current year are not dependent on the satisfaction of performance conditions except for the continuity of the employment with the Company. Stability of executive leadership is considered a key factor of the Group's performance in the coming period.

**2(e) Remuneration Report Approval at 2022 Annual General Meeting**

The remuneration report of Adveritas Limited for the year ended 30 June 2022 was approved by shareholders at the 2022 AGM.

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 3. Remuneration outcomes

##### *Remuneration of Key Management Personnel*

		Short-term benefits		Post-employment	Long-term benefits	Share-based payments		
		Salary, fees & annual leave entitlements	Commission / Bonus	Super	Long service leave	Performance Rights	Total	Performance related
		\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>								
S. Belben	<b>2023</b>	<b>60,165</b>	-	<b>6,327</b>	-	-	<b>66,492</b>	-
	2022	60,165	-	6,008	-	-	66,173	-
R. Besnard	<b>2023</b>	<b>43,800</b>	-	-	-	-	<b>43,800</b>	-
	2022	43,800	-	-	-	-	43,800	-
M. McConnell	<b>2023</b>	<b>40,110</b>	-	<b>4,218</b>	-	-	<b>44,328</b>	-
	2022	40,110	-	4,005	-	-	44,115	-
A. Stott	<b>2023</b>	<b>43,800</b>	-	-	-	-	<b>43,800</b>	-
	2022	43,800	-	-	-	-	43,800	-
<b>Executive Directors</b>								
M. Ratty <sup>1, 2</sup>	<b>2023</b>	<b>357,511</b>	-	<b>25,253</b>	<b>11,935</b>	<b>(275,343)</b>	<b>119,357</b>	<b>(231)</b>
	2022	313,077	-	23,607	5,758	363,890	706,332	52
<b>Total Directors</b>	<b>2023</b>	<b>545,386</b>	-	<b>35,798</b>	<b>11,935</b>	<b>(275,343)</b>	<b>317,777</b>	<b>(87)</b>
	2022	500,952	-	33,620	5,758	363,890	904,220	40



# Adveritas Limited Directors' Report

## REMUNERATION REPORT (AUDITED) (continued)

### 3. Remuneration outcomes (continued)

		Short-term benefits		Post-employment	Long-term benefits	Share-based payments	Total \$	Performance related %
		Salary, fees & annual leave entitlements \$	Commission / Bonus \$	Super \$	Long service leave \$	Performance Rights \$		
<b>Senior Executives</b>								
L. Taylor <sup>2</sup>	<b>2023</b>	<b>301,258</b>	-	<b>25,255</b>	<b>13,395</b>	<b>(328,718)</b>	<b>11,190</b>	<b>(2,938)</b>
	2022	278,738	-	23,605	5,696	344,539	652,578	53
F. Muir <sup>2</sup>	<b>2023</b>	<b>186,064</b>	-	<b>19,567</b>	-	<b>(54,786)</b>	<b>150,845</b>	<b>(36)</b>
	2022	150,471	-	15,020	-	54,786	220,277	25
D. Cox <sup>3</sup>	<b>2023</b>	-	-	-	-	-	-	-
	2022	83,858	4,995	6,515	-	(113,037)	(17,669)	(11)
M. Sutton <sup>1</sup>	<b>2023</b>	<b>481,007</b>	<b>176,082</b>	-	-	<b>60,801</b>	<b>717,890</b>	<b>33</b>
	2022	449,710	113,713	-	-	94,421	657,844	32
C. Kinlay	<b>2023</b>	<b>311,208</b>	-	-	-	-	<b>311,208</b>	-
	2022	144,000	-	-	-	-	144,000	-
E. Shuggi <sup>1, 4</sup>	<b>2023</b>	<b>229,540</b>	-	<b>16,745</b>	<b>573</b>	<b>33,882</b>	<b>280,740</b>	<b>12</b>
	2022	-	-	-	-	-	-	-
<b>Total Senior Executives</b>	<b>2023</b>	<b>1,509,077</b>	<b>176,082</b>	<b>61,567</b>	<b>13,968</b>	<b>(288,821)</b>	<b>1,471,873</b>	<b>(8)</b>
	2022	1,106,777	118,708	45,140	5,696	380,709	1,657,030	30
<b>Total</b>	<b>2023</b>	<b>2,054,463</b>	<b>176,082</b>	<b>97,365</b>	<b>25,903</b>	<b>(564,164)</b>	<b>1,789,649</b>	<b>(22)</b>
	2022	1,607,729	118,708	78,760	11,454	744,599	2,561,250	34

#### Notes

1. Refer to section 5 below and Note 16 for further information on the vesting conditions attached to performance rights granted during the current year.
2. The net credit amount reflected in the current year for performance rights is due to the lapsing of the Class U performance rights which had not vested.
3. Mr Cox resigned on 6 September 2021 and the net credit amount reflected in the prior year for Mr Cox's performance rights is due to the lapsing of performance rights on his resignation.
4. Mr Shuggi was appointed as Chief Product Officer with effect from 14 November 2022.
5. During the current year the Company's directors revisited the definition of Key Management Personnel and determined that the role of Company Secretary no longer fell within that definition. In the prior year, the Company paid fees of \$56,040 to Park Advisory Pty Ltd for company secretarial services provided by Susan Park.

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 4. Executive contracts

Remuneration arrangements for executives are formalised in their employment agreements. The following outlines the details of the contracts with executives:

##### **Mathew Ratty, Managing Director and Chief Executive Officer**

Mr Ratty's current employment agreement commenced on 9 November 2018 (Mr Ratty held the position of Interim CEO up to this date). The term of Mr Ratty's contract will come to an end on 30 June 2025.

##### *Details*

- Remuneration:
  - Annual base salary – Mr Ratty's annual base salary is \$350,000 (plus statutory superannuation).
- Performance related bonuses – short term incentive: at the Board's discretion, a cash bonus may be paid to Mr Ratty in relation to the successful completion of various milestones periodically set by the Board. The cash bonus is not to exceed 50% of the annual salary in the financial year the bonus is earned.
- Long term incentive: the following performance rights are held by Mr Ratty:

Milestones to be achieved	Quantum of performance rights to vest upon achievement of milestone
Remain as Chief Executive Officer of the Company as at 31 December 2023	2,500,000
Remain as Chief Executive Officer of the Company as at 31 December 2024	2,500,000

The performance rights held by Mr Ratty at 30 June 2022 lapsed during the current year as the performance milestones (non-market conditions) were not achieved.

- Termination:
  - The agreement may be terminated:
    - by the Company without cause by giving twelve months' notice, or immediately with payment in lieu of notice;
    - by the Company giving one months' notice if Mr Ratty is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
    - by the Company immediately without notice following material breach or in the case of misconduct; or
    - by Mr Ratty without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.
- Other:
  - The agreement includes other general industry standard provisions for a senior executive.

##### **Matthew Sutton, Chief Operating Officer**

Mr Sutton's employment agreement commenced on 4 January 2021 and has no fixed term. On 1 October 2022, Mr Sutton's role changed from Chief Revenue Officer to Chief Operating Officer.

##### *Details*

- Remuneration:
  - Annual base salary of SGD\$420,000.
  - Commission of 7% on revenue from contracts entered into as a result of the sales efforts of Mr Sutton or his sales team.
  - Long term incentive: the following performance rights are held by Mr Sutton:

Milestones to be achieved	Quantum of performance rights to vest upon achievement of milestone
Remain as Chief Operating Officer of the Company as at 28 October 2023	2,000,000
Remain as Chief Operating Officer of the Company as at 28 October 2024	2,000,000

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 4. Executive contracts (continued)

The performance rights held by Mr Sutton at 30 June 2022 lapsed during the current year as the performance milestones (non-market conditions) were not achieved.

- Termination:  
The agreement may be terminated:
  - by the Company without cause by giving three months' notice, or immediately with payment in lieu of notice;
  - by the Company giving one months' notice if Mr Sutton is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve-month period; or
  - by the Company immediately without notice following material breach or in the case of misconduct; or
  - by Mr Sutton without cause by giving three months' notice or at any time if the Company commits any serious or persistent beach which is not remedied within twenty eight days.
- Other:  
The agreement includes other general industry standard provisions for a senior executive.

#### **Elie Shuggi, Chief Product Officer (appointed on 14 November 2022)**

Mr Shuggi's employment agreement commenced on 14 November 2022 and has no fixed term.

##### *Details*

- Remuneration:
  - Annual base salary of \$350,000
  - Performance related bonuses – short term incentive: a cash bonus may be paid at any time during the term of the agreement conditional upon the achievement of key performance indicators set by the Company's board of directors. The cash bonus is not to exceed 25% of the annual salary in the financial year the bonus is earned
  - Long term incentive: the following performance rights are held by Mr Shuggi:

##### **Milestones to be achieved**

Remain as Chief Product Officer of the Company as at 14 November 2023  
Remain as Chief Product Officer of the Company as at 14 November 2024

**Quantum of  
performance rights  
to vest upon  
achievement of  
milestone**

500,000  
500,000

- Termination:  
The agreement may be terminated:
  - by the Company without cause by giving three months' notice, or immediately with payment in lieu of notice;
  - by the Company giving one months' notice if Mr Shuggi is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve-month period; or
  - by the Company immediately without notice following material breach or in the case of misconduct; or
  - by Mr Shuggi without cause by giving three months' notice or at any time if the Company commits any serious or persistent beach which is not remedied within twenty eight days.
- Other:  
The agreement includes other general industry standard provisions for a senior executive.

#### **Chad Kinlay, Chief Marketing Officer**

Mr Kinlay commenced the role of Chief Marketing Officer on 4 January 2022. Mr Kinlay performs this role via a consultancy agreement which has no fixed term.

##### *Key terms of the consultancy agreement:*

- Fee: a monthly fee of SGD24,000 is payable to Mr Kinlay together with any out of pocket expenses.
- Termination: The agreement may be terminated by the Company or Mr Kinlay by giving one months' notice.

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 4. Executive contracts (continued)

##### *Fiona Muir, Chief Financial Officer*

Ms Muir's employment agreement commenced on 25 June 2018 and has no fixed term.

##### *Details*

- Remuneration:  
Ms Muir fulfils the role of Chief Financial Officer on a part time basis and is remunerated pro-rata based on an annual base salary of \$275,000 plus statutory superannuation.  
No performance rights are held by Ms Muir. The performance rights held by Ms Muir at 30 June 2022 lapsed during the current year as the performance milestones (non-market conditions) were not achieved.
- Termination:  
The agreement may be terminated:
  - by Ms Muir with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Ms Muir may terminate it immediately;
  - by the Company with one months' notice or payment in lieu of notice;
  - by the Company immediately without notice following material breach or in the case of misconduct
- Other:  
The agreement includes other general industry standard provisions for a senior executive.

##### *Luke Taylor, Founder*

Mr Taylor's current employment agreement commenced on 1 October 2022 (Mr Taylor held the position of Chief Operating Officer up to this date). The term of Mr Taylor's contract will come to an end on 31 December 2024.

##### *Details*

- Remuneration:  
Annual base salary of \$300,000 (plus statutory superannuation)
- Performance related bonuses – short term incentive: a cash bonus may be paid at any time during the term of the agreement conditional upon the achievement of key performance indicators set by the Chief Executive Officer. The cash bonus is not to exceed 25% of the annual salary in the financial year the bonus is earned
- Long term incentive: no performance rights are held by Mr Taylor. The performance rights held by Mr Taylor at 30 June 2022 lapsed during the current year as the performance milestones (non-market conditions) were not achieved.

##### *Termination:*

- The agreement may be terminated:
  - by the Company without cause by giving six months' notice, or immediately with payment in lieu of notice;
  - by the Company giving one months' notice if Mr Taylor is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
  - by the Company immediately without notice following material breach or in the case of misconduct; or
  - by Mr Taylor without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.
- Other:  
The agreement includes other general industry standard provisions for a senior executive.

## Adveritas Limited Directors' Report

### 5. Additional disclosures relating to performance rights, options and shares

#### Performance Rights

Performance rights do not carry any voting or dividend rights and can only be converted into ordinary shares up until their expiry date, provided any vesting conditions are met and the Executive remains as an employee of the Group as at a specified date.

The tables below disclose the movement in performance rights held by key management personnel during the current and prior year. There is a nil exercise price payable on the conversion of performance rights into ordinary shares.

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance (not yet vested)
<b>2023</b>						
<b>Executive directors</b>						
M. Ratty	10,000,000	5,000,000	-	-	(10,000,000)	5,000,000
<b>Executives</b>						
M. Sutton	2,000,000	4,000,000	-	-	(2,000,000)	4,000,000
E. Shuggi	-	1,000,000	-	-	-	1,000,000
F. Muir	1,000,000	-	-	-	(1,000,000)	-
L. Taylor	7,500,000	-	-	-	(7,500,000)	-

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance (not yet vested)
<b>2022</b>						
<b>Executive directors</b>						
M. Ratty	1,000,000	10,000,000	1,000,000	1,000,000	-	10,000,000
<b>Executives</b>						
M Sutton	-	2,000,000	-	-	-	2,000,000
F. Muir	-	1,000,000	-	-	-	1,000,000
L. Taylor	1,000,000	7,500,000	1,000,000	1,000,000	-	7,500,000
D. Cox	750,000	-	-	-	750,000	-

# Adveritas Limited

## Directors' Report

### REMUNERATION REPORT (AUDITED) (continued)

#### 5. Additional disclosures relating to performance rights, options and shares (continued)

##### Performance Rights (continued)

The tables below disclose the fair values of performance rights granted to key management personnel during the current and prior year.

	2023			2022		
	Grant date	Number granted	Fair value per performance right at grant date	Grant date	Number granted	Fair value per performance right at grant date
M Ratty	19/04/2023	5,000,000	\$0.061	23/11/2021	10,000,000	\$0.13
M Sutton	12/10/2022	4,000,000	\$0.075	30/11/2021	2,000,000	\$0.18
E Shuggi	13/12/2022	1,000,000	\$0.075	-	-	-
F Muir	-	-	-	02/12/2021	1,000,000	\$0.18
L Taylor	-	-	-	02/12/2021	7,500,000	\$0.18

Details of the vesting conditions, expiry dates and status of the performance rights held by key management personnel are set out below:

30 June 2023:

KMP	Vesting Condition	Number	Expiry date	Status at 30 June 2023
M Sutton	Remain an employee of the Group at 28 October 2023	2,000,000	31 December 2024	Not yet vested
M Sutton	Remain an employee of the Group at 28 October 2024	2,000,000	31 December 2024	Not yet vested
E Shuggi	Remain an employee of the Group at 14 November 2023	500,000	31 December 2023	Not yet vested
E Shuggi	Remain an employee of the Group at 14 November 2024	500,000	31 December 2024	Not yet vested
M Ratty	Remain an employee of the Group at 31 December 2023	2,500,000	22 June 2028	Not yet vested
M Ratty	Remain an employee of the Group at 31 December 2024	2,500,000	22 June 2028	Not yet vested

30 June 2022:

Vesting Condition	Number	Expiry date	Status at 30 June 2022	Status at 30 June 2023
Annualised revenue of US\$5 million is achieved by 31 March 2023	17,000,000	31/03/2023	Not yet vested	Lapsed
Annualised revenue over US\$7 million is achieved by 31 March 2023	3,500,000	31/03/2023	Not yet vested	Lapsed

# Adveritas Limited Directors' Report

## REMUNERATION REPORT (AUDITED) (continued)

### 5. Additional disclosures relating to performance rights, options and shares (continued)

#### Option holdings of KMP

The table below discloses all options held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2022	Granted as remuneration	Lapsed	Exercised	Balance at 30 June 2023	Exercisable <sup>1</sup>	Not exercisable
S. Belben	1,250,000	-	-	-	1,250,000	1,250,000	-
R. Besnard	1,250,000	-	-	-	1,250,000	1,250,000	-
M. McConnell	1,250,000	-	-	-	1,250,000	1,250,000	-
A. Stott	1,250,000	-	-	-	1,250,000	1,250,000	-
<b>Total</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>-</b>

1. These options expired unexercised on 3 July 2023.

#### Share holdings of KMP

The table below discloses the shares held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2022	Granted as remuneration	On conversion of performance rights	On exercise of options	Net change other	Balance at 30 June 2023
S. Belben	810,000	-	-	-	-	810,000
M. McConnell	70,290,688	-	-	-	19,296,079	89,586,767
A. Stott	1,100,000	-	-	-	-	1,100,000
M. Ratty	27,460,544	-	-	-	-	27,460,544
L. Taylor	10,703,782	-	-	-	-	10,703,782
F. Muir	500,000	-	-	-	-	500,000
<b>Total</b>	<b>110,865,014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,296,079</b>	<b>130,161,093</b>

### 6. Other transactions and balances with key management personnel and their related parties

During the current year, Adveritas Limited continued its consultancy agreement with 13811 Advisory Pte Ltd, a company controlled by Mr Stott. The services, which came to an end on 31 May 2023, included the provision of promotion and marketing advice and assistance. Under the agreement, Mr Stott was entitled to fees of \$5,000 per month. These fees were in addition to the salary and fees disclosed in section 3 of this report. At 30 June 2023, no amount was owing to 13811 Advisory Pte Ltd (2022: \$5,000).

## END OF REMUNERATION REPORT

Signed in accordance with a resolution of the directors:



**Mathew Ratty**  
**Managing Director and Chief Executive Officer**  
Perth, Western Australia  
Dated 31 August 2023



Building a better  
working world

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## Auditor's Independence Declaration to the Directors of Adveritas Limited

As lead auditor for the audit of the financial report of Adveritas Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial year.

Ernst & Young

Mark Cunningham  
Partner  
31 August 2023



# Adveritas Limited

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	4	2,949,228	2,031,794
Interest income		46,711	4,385
Other income	5(a)	2,537,566	1,761,309
Employment costs	5(b)	(11,115,665)	(7,624,308)
Marketing costs	5(c)	(1,735,115)	(639,891)
Server hosting costs		(1,292,461)	(1,640,484)
Administration costs	5(d)	(1,019,375)	(689,790)
Compliance costs	5(e)	(366,969)	(372,186)
Consultancy costs	5(f)	(95,582)	(549,684)
Occupancy costs		(211,507)	(125,499)
Expected credit losses and bad debts expense	5(g)	(66,521)	(97,813)
Depreciation	5(h)	(183,778)	(141,843)
Finance costs	5(i)	(799,210)	(83,645)
Share based payments reversals / (expense)	16	508,388	(980,757)
Foreign exchange (losses) / gains		(63,699)	60,146
<b>Loss before income tax</b>		<b>(10,907,989)</b>	<b>(9,088,266)</b>
Income tax benefit / (expense)	6	(10,041)	5,466
<b>Loss for the year attributable to the members of Adveritas Limited</b>		<b>(10,918,030)</b>	<b>(9,082,800)</b>
<b>Other comprehensive income net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		6,242	(7,512)
<b>Total comprehensive loss for the year attributable to the members of Adveritas Limited</b>		<b>(10,911,788)</b>	<b>(9,090,312)</b>
<b>Loss per share attributable to members of Adveritas Limited</b>			
		Cents	Cents
Basic loss per share	22	(2.23)	(2.14)
Diluted loss per share	22	(2.23)	(2.14)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements.

**Adveritas Limited**  
**Consolidated Statement of Financial Position as at 30 June 2023**

	Note	2023 \$	2022 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	6,339,205	5,050,516
Trade and other receivables	8	506,464	511,961
Prepayments		435,239	238,564
Convertible loan note derivative	13	1,299,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>8,579,908</b>	<b>5,801,041</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	9	99,779	95,735
Right-of-use assets	10	303,161	404,215
Convertible loan note derivative	13	-	828,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>402,940</b>	<b>1,327,950</b>
<b>TOTAL ASSETS</b>		<b>8,982,848</b>	<b>7,128,991</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,325,799	1,349,740
Income tax payable	6	401	-
Provisions	12	754,404	607,672
Lease liabilities	10	130,956	116,554
Convertible loan note liability	13	3,721,108	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,932,668</b>	<b>2,073,966</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12	62,012	68,841
Lease liabilities	10	259,323	369,817
Convertible loan note liability	13	-	2,955,982
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>321,335</b>	<b>3,394,640</b>
<b>TOTAL LIABILITIES</b>		<b>6,254,003</b>	<b>5,468,606</b>
<b>NET ASSETS</b>		<b>2,728,845</b>	<b>1,660,385</b>
<b>EQUITY</b>			
Contributed equity	14	64,658,338	52,169,702
Accumulated losses	17	(66,569,412)	(55,651,382)
Share based payment reserve	15	4,602,426	5,110,814
Foreign currency translation reserve	15	37,493	31,251
<b>TOTAL EQUITY</b>		<b>2,728,845</b>	<b>1,660,385</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated financial statements.

**Adveritas Limited**  
**Consolidated Statement of Cash Flows for the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,711,017	2,165,341
Payments to suppliers and employees		(15,982,002)	(11,719,034)
Research and development grant income received	5(a)	1,979,591	-
Other income received		32,416	137,809
Interest received		37,163	3,943
Interest expense on lease liabilities	10	(34,061)	(41,563)
Interest paid		(23)	-
Income tax paid		(4,918)	-
<b>Net cash flows used in operating activities</b>	7	<b>(11,260,817)</b>	<b>(9,453,504)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(85,919)	(92,079)
Proceeds on disposal of plant and equipment		62	1,585
Deposit on leases property		(7,692)	(2,982)
Deferred consideration received on disposal of controlled entity		120,824	444,586
<b>Net cash flows generated by / (used in) investing activities</b>		<b>27,275</b>	<b>351,110</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		13,017,000	7,993,543
Proceeds from issue of convertible notes		-	3,000,000
Share issue costs paid		(415,229)	(25,806)
Lease liability payments		(96,092)	(85,689)
<b>Net cash flows provided by financing activities</b>		<b>12,505,679</b>	<b>10,882,048</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,272,137</b>	<b>1,779,654</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,050,516</b>	<b>3,231,414</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>16,552</b>	<b>39,448</b>
<b>Cash and cash equivalents at the end of the year</b>	7	<b>6,339,205</b>	<b>5,050,516</b>

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated financial statements.

**Adveritas Limited**
**Consolidated Statement of Changes in Equity for the year ended 30 June 2023**

	Contributed equity	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	<b>52,169,702</b>	<b>(55,651,382)</b>	<b>5,110,814</b>	<b>31,251</b>	<b>1,660,385</b>
Loss for the year	-	(10,918,030)	-	-	(10,918,030)
<i>Other comprehensive expenditure</i>					
Foreign exchange differences arising on translation of foreign operations	-	-	-	6,242	6,242
<b>Total comprehensive expenditure for the year</b>	<b>-</b>	<b>(10,918,030)</b>	<b>-</b>	<b>6,242</b>	<b>(10,911,788)</b>
<b>Transactions with equity holders in their capacity as owners</b>					
Ordinary shares issued	13,017,000	-	-	-	13,017,000
Share issue costs	(528,364)	-	-	-	(528,364)
Share based payments reversal	-	-	(508,388)	-	(508,388)
	<b>12,488,636</b>	<b>-</b>	<b>(508,388)</b>	<b>-</b>	<b>11,980,248</b>
<b>Balance at 30 June 2023</b>	<b>64,658,338</b>	<b>(66,569,412)</b>	<b>4,602,426</b>	<b>37,493</b>	<b>2,728,845</b>
<b>Balance at 1 July 2021</b>	<b>43,237,080</b>	<b>(46,568,582)</b>	<b>5,094,942</b>	<b>38,763</b>	<b>1,802,203</b>
Loss for the year	-	(9,082,800)	-	-	(9,082,800)
<i>Other comprehensive expenditure</i>					
Foreign exchange differences arising on translation of foreign operations	-	-	-	(7,512)	(7,512)
<b>Total comprehensive expenditure for the year</b>	<b>-</b>	<b>(9,082,800)</b>	<b>-</b>	<b>(7,512)</b>	<b>(9,090,312)</b>
<b>Transactions with equity holders in their capacity as owners</b>					
Ordinary shares issued	4,400,000	-	-	-	4,400,000
Share issue costs	(25,806)	-	-	-	(25,806)
Shares issued on conversion of performance rights	964,885	-	(964,885)	-	-
Shares issued on conversion of options	3,593,543	-	-	-	3,593,543
Share based payments expense	-	-	980,757	-	980,757
	<b>8,932,622</b>	<b>-</b>	<b>15,872</b>	<b>-</b>	<b>8,948,494</b>
<b>Balance at 30 June 2022</b>	<b>52,169,702</b>	<b>(55,651,382)</b>	<b>5,110,814</b>	<b>31,251</b>	<b>1,660,385</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated financial statements.

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 1. CORPORATE INFORMATION

The consolidated financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 31 August 2023.

Adveritas is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Bentley, Western Australia.

The nature of operations and principal activities of the Group are the creation of innovative software solutions that leverage big data to drive business performance. TrafficGuard is the Group's first commercially available software as a service.

Information on the Group's corporate structure and related party relationships is provided in Note 20.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a summary of the significant accounting policies adopted in the preparation of this consolidated financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of Preparation

The consolidated financial report is a general-purpose financial report which has been prepared on a historical cost basis, with the exception of derivatives which are carried at fair value, and is presented in Australian dollars.

#### (b) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

#### (c) Changes in accounting policies, disclosures, standards and interpretations

##### *i. Accounting Standards and Interpretations issued but not yet adopted*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2023 are outlined below.

##### **Amendments to AASB 101 Classification of Liabilities as Current or Non-current**

In March 2020, the AASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments will be applied retrospectively.

**Application date of standard:** 1 January 2023      **Application date for the Group:** 1 July 2023

**Impact on the Consolidated Financial Statements:** The Group does not anticipate any impact on its consolidated financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Changes in accounting policies, disclosures, standards and interpretations (continued)**

**i. Accounting Standards and Interpretations issued but not yet adopted (continued)**

**Amendments to AASB 108: Definition of Accounting Estimates**

An accounting policy may require items in the financial statements to be measured using information that is either directly observable, or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information.

The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

**Application date of standard:** 1 January 2023      **Application date for the Group:** 1 July 2023

**Impact on the Consolidated Financial Statements:** The Group does not anticipate any impact on its consolidated financial statements.

Other new Accounting Standards and Interpretations issued but not yet adopted, do not have significant impact on the consolidated financial statements.

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date.

**ii. New standards, interpretation and amendments adopted by the Group**

No new standards, interpretations and amendments were adopted by the Group in the current year.

**(d) Basis of Consolidation**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Basis of Consolidation (continued)**

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**(e) Segment Reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information presented to the chief operating decision maker, being the board of directors in conjunction with the executive management team.

Information about other business activities are combined and disclosed in a separate category called "Corporate".

**(f) Foreign Currency Translation**

**i. Functional and presentation currency**

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the parent's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

**ii. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

**iii. Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**(g) Plant and Equipment**

All plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Plant and Equipment (continued)**

Depreciation is calculated over the estimated useful life of the asset as follows:

	<b>Method</b>	<b>Useful Lives</b>
Plant and equipment	Straight Line	1.5 – 2.5 years
Leasehold improvements	Straight Line	the term of the lease
Office equipment	Straight Line	2 – 10 years
Computer equipment	Straight Line	1.5 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 carrying amount. These are included in profit or loss.

**(h) Impairment of non-financial assets**

Non-financial assets comprise of plant and equipment and goodwill. Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less costs of disposal) and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment losses relating to goodwill cannot be reversed in future periods.

**(i) Cash and Cash Equivalents**

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash held in bank accounts, in electronic money accounts, on hand and in short-term deposits with a maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**(j) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Revenue from contracts with customers**

The Group has been in the business of providing access to its fraud mitigation software as a service to its customers. Revenue from contracts with customers is recognised over time as the service is delivered to the customer, at an amount that reflects the consideration to which the Group is entitled under the terms of the contract for that service. The Group has concluded that it is the principal in its revenue arrangements because it controls the service before delivering it to the customer.

The Group's performance obligation is providing access to its software as a service to the customer over the period of time that was agreed upon with the customer. The customer is required to pay the consideration agreed upon in the service contract. The normal credit term is 30 to 60 days upon delivery of the service.

As a practical expedient, the Group does not disclose the transaction price allocated to the remaining performance obligations as it recognises revenue from the customer at the amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Contracts with customers may include a variable consideration in addition to the fixed monthly fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The variable consideration is recognised at the point in time when it can be reliably estimated and the constraint applied.

Taxes collected from customers and remitted to government authorities are excluded from revenue.

**Contract balances**

***Contract assets***

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

***Trade receivables***

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer further to the accounting policy on financial assets (Note 2(s)) for details on initial recognition, subsequent measurement and impairment.

***Deferred revenue***

Deferred revenue is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, deferred revenue is recognised when the payment is made or the payment is due (whichever is earlier). Deferred revenue is recognised as revenue when the Group performs under the contract.

**Cost to obtain a contract**

The Group pays sales commission to its employees for pre-determined milestones in relation to sales of its software services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

**(l) Government grants**

Government grants are recognised as other income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

**(n) Employee Benefits**

***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

***Long service leave***

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(o) Goods and Services Tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated 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 taxation authority, are presented as operating cash flows.

**(p) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Income Tax**

***Current Tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

***Deferred Tax***

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the period***

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the current and deferred tax is also recognised directly in equity.

**(r) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Financial Assets**

**Initial recognition and measurement**

Financial assets within the scope of AASB 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The classification of financial assets that are debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policy on revenue at Note 2(k).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments.

*Financial assets at amortised cost*

This category is the most relevant category to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Listed equity instruments that are designated at fair value through OCI are not subject to impairment assessment.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(s) Financial Assets (continued)****Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

***Financial assets at amortised cost***

For contract assets, trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(t) Financial liabilities****Initial recognition and measurement**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Financial liabilities (continued)**

**Subsequent measurement**

The measurement of financial liabilities depends on their classification. The Group's financial liabilities comprise trade and other payables and convertible loan notes.

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are subsequently measured at amortised cost using the effective interest method and are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Convertible loan notes represent the Company's obligation to either redeem or convert the loan notes into fully paid ordinary shares in the Company. The convertible loan notes automatically convert into fully paid shares at the maturity date of 12 April 2024 but may be redeemed at any time prior to the maturity date. The convertible loan notes are unsecured and bear interest at the rate of 8% per annum which is capitalised on a quarterly basis. Convertible loan notes are subsequently measured at amortised cost using the effective interest method and are presented as current liabilities as conversion is due within 12 months after the reporting period.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

**(u) Share-based payments**

Consultants and employees (including senior executives) of the Group receive payment or remuneration in the form of share-based payments, whereby the consultants or the employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 16.

The cost of is recognised in the share based payments expense (Note 16), together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(u) Share-based payments (continued)**

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (further details are given in Note 22).

**(v) Loss per share**

Basic loss per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted loss per share is calculated as net profit or loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(w) Significant accounting judgements, estimates and assumptions**

The directors made estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the consolidated financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and assumptions made have been described below:

***Revenue from contracts with customers***

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- The Group determined that revenue from its fraud mitigation software service is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.
- The Group has determined that it is the principal in its agreements with its customers because it has control over the service before delivering it to the customer, it is primarily responsible for fulfilling the promise to deliver the service, and it is responsible for establishing the price for the service to be delivered.
- Certain contracts with customers contain a variable consideration in relation to each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is appropriate.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) Significant accounting judgements, estimates and assumptions (continued)**

***Share-based payments***

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

***Income Taxes***

Judgement is required in assessing whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

The Group estimates that it has \$42,606,494 (2022: \$30,325,093) of tax losses carried forward. Although these losses do not expire, they may not be capable of being used to offset taxable income elsewhere in the Group. The Group has neither taxable temporary differences nor tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets in respect of the tax losses carried forward.

Further details on taxes are disclosed in Note 6.

***Impairment of non-financial assets***

The Group tests for impairment of non-financial assets when impairment indicators have been identified.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next two years. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

The Group has assessed the right-of-use asset recognised in accordance with AASB 16: Leases and has concluded that the right-of-use asset has not suffered any impairment.

***Provision for expected credit losses of trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due and adjusted for forward looking expectations specific to the debtors and the economic environment.

***Fair value measurement of financial instruments***

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(x) Going Concern**

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2023, the Group incurred a net loss after tax of \$10,918,030 and a net cash outflow from operating activities of \$11,260,817. The cash and cash equivalents balance at 30 June 2023 was \$6,339,205. The Group's net current asset position at 30 June 2023 was \$2,647,240. Included in the Group's net current assets is a convertible loan note derivative asset with a carrying value of \$1,299,000, and a convertible loan note liability of \$3,721,108. The convertible loan notes mature in April 2024, at which point they will be automatically converted into shares in the Company in accordance with the terms of the convertible loan note agreements. There will be no cash inflows from the deemed realisation of the convertible loan note derivative, and no cash outflows from the deemed settlement of the convertible loan note liability. The Group's net current assets at 30 June 2023 excluding the asset and liability relating to the convertible loan notes is \$5,069,349.

The ability of the Group to pay its trade creditors, continue its planned activities and maintain its going concern status is dependent on the Group continuing to grow revenue and raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by continuing to grow revenue and raising further funds as required. In forming this view, the directors of the Company have considered the ability of the Company to generate sufficient revenues and raise funds as required by way of future capital raisings.

There are inherent uncertainties associated with growing revenue and the successful completion of capital raisings. Should the directors not be able to manage these inherent uncertainties and successfully secure funding as required, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

**(y) Comparative information**

The consolidated financial statements provide comparative information in respect of the previous period. Where required, a reclassification of items in the financial statements of the previous period has been made in accordance with the classification of items in the consolidated financial statements of the current period.

**3. SEGMENT INFORMATION**

The Group's operating segments comprise:

- **Product and Engineering:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily in Australia and Croatia; and
- **Sales and marketing:** responsible for deploying the Group's sales and marketing initiatives and for providing ongoing customer service. These activities are carried out by sales and marketing personnel and consultants located in the Australia Pacific region, Europe, Latin America and South-East Asia.
- **Corporate:** responsible for carrying out the finance and administration and human resources functions for the Group. These activities are primarily carried out in Australia.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 3. SEGMENT INFORMATION (continued)

#### Segment results for the year ended 30 June 2023

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	-	2,949,228	-	2,949,228
Other income	1,979,591	22,300	535,675	2,537,566
Expenses	(5,542,195)	(6,760,931)	(3,155,380)	(15,458,506)
	(3,562,604)	(3,789,403)	(2,619,705)	(9,971,712)
<b>Reconciliation of reportable segment loss</b>				
Interest income	-	-	46,711	46,711
Interest expense	(17,030)	-	(782,180)	(799,210)
Depreciation	(113,081)	(14,620)	(56,077)	(183,778)
Income tax expense	(5,048)	(4,993)	-	(10,041)
<b>Loss after income tax</b>	<b>(3,697,763)</b>	<b>(3,809,016)</b>	<b>(3,411,251)</b>	<b>(10,918,030)</b>

#### Segment results for the year ended 30 June 2022

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	-	2,031,794	-	2,031,794
Other income	74,850	47,079	1,639,380	1,761,309
Expenses	(4,856,395)	(3,837,938)	(3,965,933)	(12,660,266)
	(4,781,545)	(1,759,065)	(2,326,553)	(8,867,163)
<b>Reconciliation of reportable segment loss</b>				
Interest income	-	-	4,385	4,385
Interest expense	(21,156)	-	(62,489)	(83,645)
Depreciation	(85,274)	(4,825)	(51,744)	(141,843)
Income tax expense	(8,431)	13,897	-	5,466
<b>Loss after income tax</b>	<b>(4,896,406)</b>	<b>(1,749,993)</b>	<b>(2,436,401)</b>	<b>(9,082,800)</b>

#### Segment assets and liabilities at 30 June 2023

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
<b>Assets</b>	<b>1,100,353</b>	<b>881,957</b>	<b>7,000,538</b>	<b>8,982,848</b>
<b>Liabilities</b>	<b>904,896</b>	<b>508,016</b>	<b>4,841,091</b>	<b>6,254,003</b>

#### Segment assets and liabilities at 30 June 2022

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
<b>Assets</b>	<b>1,855,571</b>	<b>843,034</b>	<b>4,430,386</b>	<b>7,128,991</b>
<b>Liabilities</b>	<b>911,335</b>	<b>484,776</b>	<b>4,072,495</b>	<b>5,468,606</b>

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**3. SEGMENT INFORMATION (continued)**

**Geographic information**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from external customers by customer location:</b>		
Australia	364,529	286,575
Foreign countries (refer to note 4.1. for further details)	2,584,699	1,745,219
<b>Total</b>	<b>2,949,228</b>	<b>2,031,794</b>

Included in revenue from foreign countries is revenue arising from sales shown in the sales and marketing segment from one customer which amounted to \$188,690 (2022: \$248,764).

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current operating assets by location</b>		
Australia	373,682	475,474
Europe	13,713	13,932
Asia Pacific	15,170	10,181
Other	375	363
<b>Total</b>	<b>402,940</b>	<b>499,950</b>

Non-current assets for this purpose consist of right of use assets and property, plant and equipment.

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS**

**4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue by type of goods or services</b>		
Revenue from the sale of software as a service	2,949,228	2,031,794
<b>Total revenue from contracts with customers</b>	<b>2,949,228</b>	<b>2,031,794</b>
<b>Revenue by timing of revenue recognition</b>		
Services transferred over time	2,949,228	2,031,794
<b>Total revenue from contracts with customers</b>	<b>2,949,228</b>	<b>2,031,794</b>
<b>Revenue by geographical region</b>		
North America	296,907	169,167
Latin America	128,642	210,308
Asia Pacific	800,636	642,910
Australia	364,529	286,575
Europe	1,232,066	700,539
Other	126,448	22,295
<b>Total revenue from contracts with customers</b>	<b>2,949,228</b>	<b>2,031,794</b>

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 5. OTHER INCOME AND OVERHEADS

This note provides a breakdown of the significant items included shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	Consolidated 2023 \$	2022 \$
<b>(a) Other income</b>		
Research and development grant <sup>1</sup>	1,979,591	-
Export market development grant <sup>2</sup>	-	74,850
Fair value gain on convertible loan note derivative	471,000	914,100
Reversal of expected credit loss (trade debtors)	-	197,626
Reversal of expected credit loss (non-trade debtors)	53,011	512,399
Miscellaneous income	33,964	62,334
	<b>2,537,566</b>	<b>1,761,309</b>
<b>(b) Employment costs</b>		
Salaries and wages <sup>3</sup>	8,989,544	6,249,912
Ancillary employment costs	1,475,193	997,402
Recruitment fees	650,928	376,994
	<b>11,115,665</b>	<b>7,624,308</b>
<b>(c) Marketing costs</b>		
Advertising and marketing materials	474,595	251,965
Public relations	773,907	209,467
Travel, entertainment, trade shows and events	486,613	178,459
	<b>1,735,115</b>	<b>639,891</b>
<b>(d) Administration costs</b>		
IT costs	451,737	383,411
Office and general administration costs	318,567	242,445
Corporate travel	249,071	63,934
	<b>1,019,375</b>	<b>689,790</b>
<b>(e) Compliance costs</b>		
Accounting fees	22,768	14,217
ASX compliance fees	167,234	131,150
Audit and tax compliance fees	168,461	219,805
Regulatory body fees	8,506	7,014
	<b>366,969</b>	<b>372,186</b>
<b>(f) Consultancy costs</b>		
Legal fees (accrual reversal) / expense	(261,084)	283,943
Investor relations	61,263	76,101
Other	295,403	189,640
	<b>95,582</b>	<b>549,684</b>
<b>(g) Expected credit losses and bad debt expense</b>		
Trade receivables written off as a bad debt	15,055	97,813
Expected credit losses: trade debtors	51,466	-
	<b>66,521</b>	<b>97,813</b>

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 5. OTHER INCOME AND OVERHEADS (continued)

	Consolidated 2023	2022
<b>(h) Depreciation</b>		
Depreciation of property, plant and equipment	82,724	40,789
Depreciation of right-of-use asset	101,054	101,054
	<b>183,778</b>	<b>141,843</b>
<b>(i) Finance costs</b>		
Interest expense on lease liabilities (Note 10)	34,061	41,563
Convertible loan notes (Note 13)		
- interest capitalised in accordance with loan note instrument	250,765	42,082
- amortisation of conversion premium	514,361	-
Other	23	-
	<b>799,210</b>	<b>83,645</b>

1. Research and development grant income is received from the Australian government in relation to qualifying research and development activities carried out within Australia. The grant income relating to FY21 and FY22 research and development activities was received and recognised in the current year.
2. The export market development grant income has been received from the Australian government as the Group has undertaken qualifying marketing activities outside of Australia. Grant income is recognised when the funds are received whilst marketing expenses are recognised when incurred. The grant income recognised in the prior year relates to marketing activities in FY21.
3. Refer to Note 23 for further details on director and executive remuneration.

### 6. INCOME TAX EXPENSE

	Consolidated 2023 \$	2022 \$
Major components of income tax expense for the year are:		
<i>Current income tax</i>		
Current income tax charge	6,728	8,431
Under / (over) provision of income tax liability in prior year	3,313	(13,897)
<i>Deferred income tax</i>		
Deferred income tax charge relating to origination and reversal of temporary differences	-	-
Income tax expense / (benefit) reported in income statement	<b>10,041</b>	<b>(5,466)</b>
Current income tax liability	(6,728)	(8,431)
(Under) / over provision of income tax liability in prior year	(3,313)	13,897
Amount offset against income tax refund receivable (refer Note 8)	9,640	(5,466)
Income tax payable reported in statement of financial position	<b>(401)</b>	<b>-</b>

#### Reconciliation

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year is as follows:

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 6. INCOME TAX EXPENSE (continued)

	Consolidated 2023 \$	2022 \$
Accounting loss before tax	(10,907,989)	(9,088,266)
Income tax benefit at the statutory income tax rate of 25% (2022: 25%)	(2,726,998)	(2,272,066)
Adjusted for:		
Under / (over) provision for income tax in a prior year	3,313	(13,897)
(Non-assessable) / (non-deductible) share-based payment (reversal) / expense	(127,097)	245,189
Other non-deductible expenses	139,962	12,098
Non-assessable grant income	(494,898)	-
Non-assessable fair value gain on convertible loan note derivative	(117,750)	(228,525)
Tax losses utilised	(17,383)	(3,032)
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(4,288)	(10,177)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: \$3,365,695 (FY22: \$2,264,575, Singaporean tax: \$25,062CR (FY22: \$17,264CR) USA tax: \$732 (FY22: \$719) Croatian tax: \$13CR (FY22: \$46) UK tax: \$11,532CR (FY22: \$8,865CR) Brazilian tax: \$11,961 (FY22: nil))	3,355,180	2,264,944
	<u>10,041</u>	<u>(5,466)</u>

#### Tax Consolidation

The Company and its 100% owned Australian incorporated subsidiaries formed a tax consolidated group with effect from 1 July 2015.

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2023 \$	2022 \$
Revenue losses	42,606,494	30,325,093
Capital losses	362,494	648,665
Temporary differences	3,838,199	2,999,365
	<u>46,807,187</u>	<u>33,973,123</u>
Unrecognised deferred tax assets at 25% (2022: 25%)	<u>11,701,797</u>	<u>8,493,281</u>

Tax losses do not expire under current Australian legislation. Tax losses relating to foreign jurisdictions amount to \$1,388,191 (2022: \$1,405,528).

Deferred tax assets have not been recognised in respect of tax losses or temporary differences because it is not certain that future taxable profit will be available in the near term against which the Group can utilise the benefits.

#### Availability of Tax Losses

The availability of the Group's tax losses for future periods is uncertain and will be dependent on strict requirements being satisfied with respect to continuity of ownership and the same business test imposed by income tax legislation.

The recoupment of tax losses as at 30 June 2023 is contingent upon the following:

- entities in the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- there being no changes in income tax legislation which would adversely affect the entities from realising the benefit from the losses.

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 7. CASH AND CASH EQUIVALENTS

For the purpose of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2023	2022
	\$	\$
Cash at bank, on hand and in electronic money accounts	<b>6,339,205</b>	5,050,516

The Group's cash is mainly held with a banking institution in Australia with a AA credit rating. Cash at bank earns interest at floating rates based on daily at call bank deposit and savings rates.

#### Reconciliation from the loss after tax to the net cash flows from operations

	Consolidated	
	2023	2022
	\$	\$
Net loss	<b>(10,918,030)</b>	(9,082,800)
<i>Adjustments for non-cash items:</i>		
Profit on disposal of plant and equipment	<b>(62)</b>	(1,062)
Depreciation	<b>183,778</b>	141,843
Share based payments (reversals) / expense (refer to Note 16)	<b>(508,388)</b>	980,757
Fair value gain on convertible loan note derivative (refer to Note 13)	<b>(471,000)</b>	(914,100)
Interest on convertible loan notes (refer to Note 13)	<b>765,126</b>	42,082
Unrealised foreign exchange losses / (gains)	<b>9,828</b>	(75,092)
Expected credit loss / (reversal of expected credit loss): trade receivables	<b>51,466</b>	(197,627)
Reversal of expected credit loss: deferred consideration	<b>(53,011)</b>	(512,399)
<i>Changes in assets and liabilities:</i>		
(Increase) / decrease in trade receivables <sup>1</sup>	<b>(122,814)</b>	100,096
Decrease in other receivables	<b>8,607</b>	27,987
Increase in prepayments	<b>(196,675)</b>	(45,819)
(Decrease) / increase in trade and other payables <sup>1</sup>	<b>(149,947)</b>	22,268
Increase in provision for employee entitlements	<b>139,904</b>	74,259
Increase / (decrease) in provision for income tax	<b>401</b>	(13,897)
Net cash used in operating activities	<b>(11,260,817)</b>	(9,453,504)

1. Movement is stated after adjusting for the effects of movements in foreign exchange rates from the beginning of the financial year to the end of the financial year.

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**8. TRADE AND OTHER RECEIVABLES**

	<b>Consolidated 2023 \$</b>	<b>2022 \$</b>
<b>CURRENT</b>		
Trade receivables (a)	529,207	409,423
Allowance for expected credit losses (b)	(110,326)	(58,861)
<b>Net trade receivables</b>	<b>418,881</b>	<b>350,562</b>
Deferred consideration receivable	-	123,283
Allowance for expected credit losses (b)	-	(55,470)
<b>Net deferred consideration receivable</b>	<b>-</b>	<b>67,813</b>
Income tax refund receivable	2,559	7,281
Sundry receivables	28,173	16,483
Deposits	48,694	40,291
GST receivables	8,157	29,531
<b>Other receivables</b>	<b>87,583</b>	<b>93,586</b>
	<b>506,464</b>	<b>511,961</b>

**(a) Trade receivables**

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 30-60 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(s).

**(b) Allowance for expected credit losses**

The movement in the allowance for expected credit losses is set out below:

	<b>Consolidated 2023 \$</b>	<b>2022 \$</b>
<b>Allowance for expected credit losses: trade receivables</b>		
Balance at 1 July	58,861	256,487
Reversal of expected credit losses recognised in prior year	-	(256,487)
Allowance for expected credit losses recognised in current year	51,465	59,220
Impact of movement in foreign exchange rate	-	(359)
Balance at 30 June	<b>110,326</b>	<b>58,861</b>
<b>Allowance for expected credit losses: deferred consideration</b>		
Balance at 1 July	55,470	567,869
Reversal of expected credit losses recognised in prior year	(53,011)	(512,399)
Impact of movement in foreign exchange rate	(2,459)	-
Balance at 30 June	<b>-</b>	<b>55,470</b>

During the prior year, the Group reached a settlement agreement with Mpire Network Inc and ClearPier Inc regarding the balances owing to the Group following the sale of Mpire Network Inc on 31 July 2018. The allowance for expected credit losses recognised in prior years in relation to trade receivables and the deferred consideration receivable were reversed as amounts were received from ClearPier Inc.



# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 8. TRADE AND OTHER RECEIVABLES (continued)

#### (c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term in nature.

#### (d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 18.

### 9. PLANT AND EQUIPMENT

	Consolidated: 2023			
	Leasehold improvements	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$
Cost	81,467	267,199	100,216	448,882
Accumulated depreciation	(80,638)	(197,507)	(70,958)	(349,103)
Carrying amount at 30 June 2023	829	69,692	29,258	99,779

#### Reconciliation

Carrying amount at 1 July 2022	1,043	70,215	24,477	95,735
Additions	-	60,517	25,402	85,919
Disposals	-	-	-	-
Impact of foreign exchange	-	-	849	849
Depreciation	(214)	(61,040)	(21,470)	(82,724)
Carrying amount at 30 June 2023	829	69,692	29,258	99,779

	Consolidated: 2022			
	Leasehold improvements	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$
Cost	81,467	224,841	107,830	414,138
Accumulated depreciation	(80,424)	(154,626)	(83,353)	(318,403)
Carrying amount at 30 June 2022	1,043	70,215	24,477	95,735

#### Reconciliation

Carrying amount at 1 July 2021	2,281	33,440	9,193	44,914
Additions	1,074	65,918	25,086	92,078
Disposals	-	-	(552)	(552)
Impact of foreign exchange	-	-	84	84
Depreciations	(2,312)	(29,143)	(9,334)	(40,789)
Carrying amount at 30 June 2022	1,043	70,215	24,477	95,735

Refer to Note 2(g) for further details on the Group's accounting policies for plant and equipment.

**10. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

The Group is the lessee in lease contracts for office premises and various items of office equipment. Leases of office premises generally have lease terms of between 1 and 10 years, while office equipment generally has a lease term between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

In the case of leases of office premises and low value office equipment with lease terms of 12 months or less, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions under AASB 16 on leases. In the case of leases of office premises with lease terms over 12 months, the Group has recognised a right-of-use asset and an associated lease liability.

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Office Premises</b>		
Opening balance	404,215	505,268
Depreciation expense	(101,054)	(101,053)
Closing balance	<u>303,161</u>	<u>404,215</u>

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Lease Liabilities</b>		
Opening balance	486,371	572,060
Interest expense	34,061	41,563
Lease payments	(130,153)	(127,252)
Closing balance	<u>390,279</u>	<u>486,371</u>
 Current lease liabilities	 130,956	 116,554
Non-current lease liabilities	259,323	369,817
	<u>390,279</u>	<u>486,371</u>

The following are the amounts recognised in profit or loss in relation to leased assets:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Right-of-use-assets</b>		
Depreciation of right-of-use-assets	101,054	101,053
Interest expense on lease liabilities associated with right-of-use-assets	34,061	41,563
<b>Short term or low value asset leases</b>		
<i>Included in occupancy costs</i>		
Rent expense - short-term lease	163,847	77,149
<i>Included in administration costs</i>		
Rent expense - low-value assets	187	750
<b>Total amount recognised in profit or loss</b>	<u>229,149</u>	<u>220,515</u>

**Adveritas Limited****Notes to the Consolidated Financial Statements for the year ended 30 June 2023****10. RIGHT OF USE ASSETS (continued)**

The Group had total cash outflows for right of use and short term leases of \$294,000 in the current year (2022: \$204,401).

The Group has a lease contract that includes extension and termination options. The extension option was exercised on 1 July 2021. Options of these nature are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercised significant judgement in electing to exercise the extension option and will exercise judgement in considering whether the termination option is likely to be exercised.

**11. TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<b>587,707</b>	430,614
Statutory employment related liabilities	<b>328,408</b>	235,888
Accrued expenses	<b>201,438</b>	429,713
Accrued audit fee	<b>77,000</b>	70,600
Deferred revenue	<b>65,882</b>	146,963
Other payables	<b>65,364</b>	35,962
	<b>1,325,799</b>	1,349,740

Trade and other payables are non-interest bearing and are unsecured. Balances are usually settled within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

**12. PROVISIONS**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Employee benefits	<b>754,404</b>	607,672
<b>NON-CURRENT</b>		
Employee benefits	<b>62,012</b>	68,841

The current provision for employee benefits relates to the Group's liability for annual leave and long service leave. The non-current provision for employee benefits relates only to the Group's liability for long service leave.

**13. CONVERTIBLE LOAN NOTE**

During the prior year, the Group issued 3,000,000 convertible notes each with a face value of \$1 to raise \$3,000,000. The loan notes have a maturity date of 12 April 2024, at which point they will be automatically converted into fully paid ordinary shares in the Company. The Company may elect to redeem all or some of the convertible notes at any time prior to the maturity date.

The convertible notes are unsecured, carry no right to participate in any offering of securities by the Company or the right to vote any a general meeting of the Company.

The convertible notes are not transferable without prior written consent of the Company.

**Interest**

Interest accrues on the convertible notes at the rate of 8% per annum from the date of issue of the convertible notes up to (but excluding) the date on which the convertible notes are converted or redeemed. Interest is capitalised at the end of each calendar quarter and is to be satisfied in arrears upon the earlier of the redemption or conversion of the convertible notes.

Where the convertible notes are converted into ordinary shares, the accrued interest will be fully satisfied through the issue of conversion shares at the conversion price.

Where the convertible notes are redeemed, the Company will pay to the noteholders an additional interest payment so that the total interest received by the noteholders in respect of those convertible notes is equivalent to the amount they would have received had the relevant convertible notes been held till maturity.

**Conversion**

The convertible notes, together with all accrued unpaid interest, will automatically convert into fully paid ordinary shares in the Company on the maturity date. The conversion shares will be issued at a share price equal to 80% of the 90-day VWAP, unless such amount is:

- greater than \$0.17 in which case the conversion price will be \$0.17; or
- such amount is less than \$0.08 in which case the conversion price will be \$0.08.

**Convertible loan note derivative**

The fact that there is a maximum conversion price of \$0.17 and a minimum conversion price of \$0.08 creates an embedded derivative feature within the convertible loan notes that is required to be recognised separately. The convertible loan note derivative is initially recognised at fair value and is adjusted to reflect the carrying amount of the convertible debt at each reporting date, with subsequent changes to the fair value being recognised in the consolidated statement of profit or loss.

Set out below is the carrying amount of the convertible loan note derivative asset / (liability) and the movements during the current and prior year:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of year	<b>828,000</b>	-
Fair value on recognition	-	(86,100)
Fair value gain recognised in the year	<b>471,000</b>	914,100
Carrying amount at end of year	<b>1,299,000</b>	828,000
The balance is spilt as follows:		
Current portion	<b>1,299,000</b>	-
Non-current portion	-	828,000
	<b>1,299,000</b>	828,000

**13. CONVERTIBLE LOAN NOTE (continued)**

**Convertible loan note liability and effective interest rate**

The convertible loan note liability is carried at amortised cost.

In accordance with AASB 9, the Group is required to determine the effective interest rate applicable to the convertible loan notes and apply that effective interest rate such that the carrying amount of the convertible loan note at maturity is equal to the fair value of the shares to be issued. The fair value is calculated by aggregating the face value of the loan notes, the interest capitalised thereon and the conversion premium arising from the fact that the conversion price will be 80% of the 90-day VWAP, subject to minimum and maximum conversion prices.

The Group has determined the effective interest rate to be 21.3%. A further interest charge of \$514,361 (2022: nil) has been recognised in addition to interest of \$250,765 (2022: \$42,082) determined in accordance with the terms of the convertible loan note agreements.

Set out below is the carrying amount of the convertible loan note liability and the movements during the current and prior year:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of year	<b>(2,955,982)</b>	-
Fair value on recognition	-	(2,913,900)
Interest capitalised in accordance with the convertible loan note instruments	<b>(250,765)</b>	(42,082)
Amortisation of conversion premium	<b>(514,361)</b>	-
Carrying amount at end of year	<b><u>(3,721,108)</u></b>	<b><u>(2,955,982)</u></b>
The balance is split as follows:		
Current portion	<b>(3,721,108)</b>	-
Non-current portion	-	(2,955,982)
	<b><u>(3,721,108)</u></b>	<b><u>(2,955,982)</u></b>

The following are the amounts recognised in profit or loss in relation to the convertible loan notes and the convertible loan note derivative:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Other income</b>		
Fair value gain on convertible loan note derivative	<b>471,000</b>	914,100
<b>Finance costs</b>		
Interest recognised in accordance with the convertible loan note instruments	<b>(250,765)</b>	(42,082)
Amortisation of conversion premium	<b>(514,361)</b>	-
	<b><u>(765,126)</u></b>	<b><u>(42,082)</u></b>
<b>Total amount recognised in profit or loss</b>	<b><u>(294,126)</u></b>	<b><u>872,018</u></b>

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 14. CONTRIBUTED EQUITY

#### (a) Issued capital

	Consolidated 2023	2022
	\$	\$
Ordinary shares, fully paid	<b>64,658,338</b>	52,169,702

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### (b) Movements in share capital

	2023		2022	
	Number	\$	Number	\$
Shares on issue at 1 July	<b>445,108,505</b>	<b>52,169,702</b>	358,923,075	43,237,080
Shares issued on exercise of performance rights	-	-	6,250,000	964,885
Shares issued on exercise of listed options	-	-	35,935,430	3,593,543
Shares issued pursuant to a placement at \$0.075 per share <sup>1</sup>	-	-	-	-
Shares issued pursuant to a placement at \$0.10 per share <sup>1</sup>	<b>25,000,000</b>	<b>2,500,000</b>	30,000,000	3,000,000
Shares issued pursuant to a placement at \$0.10 per share <sup>1</sup>	-	-	14,000,000	1,400,000
Shares issued pursuant to a placement at \$0.085 per share <sup>1</sup>	<b>47,176,471</b>	<b>4,010,000</b>	-	-
Shares issued pursuant to a placement at \$0.10 per share <sup>1</sup>	<b>5,000,000</b>	<b>500,000</b>	-	-
Shares issued pursuant to a placement at \$0.048 per share <sup>1</sup>	<b>76,021,640</b>	<b>3,649,039</b>	-	-
Shares issued pursuant to a share purchase plan at \$0.048 per share <sup>1</sup>	<b>5,354,155</b>	<b>257,000</b>	-	-
Shares issued pursuant to a placement at \$0.048 per share <sup>1</sup>	<b>43,770,013</b>	<b>2,100,961</b>	-	-
Share issue costs <sup>2</sup>	-	<b>(528,364)</b>	-	(25,806)
<b>Shares on issue at 30 June</b>	<b>647,430,784</b>	<b>64,658,338</b>	<b>445,108,505</b>	<b>52,169,702</b>

- Placements were made to sophisticated and professional investors.
- Share issue costs is made up as follows:

	Consolidated 2023	2022
	\$	\$
Share issue costs paid during the year	<b>(315,229)</b>	(25,806)
Share issue costs included in trade and other payables at balance date	<b>(213,135)</b>	-
	<b>(528,364)</b>	(25,806)

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 14. CONTRIBUTED EQUITY (continued)

#### (c) Capital Risk Management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2023 and 30 June 2022.

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables (Note 11)	1,325,798	1,349,740
Lease liabilities (Note 10)	390,279	486,371
Convertible loan note liability (Note 13)	3,271,109	2,955,982
	<b>4,987,186</b>	<b>4,792,093</b>
Less: cash and cash equivalents (Note 7)	(6,339,205)	(5,050,516)
Net (Debt) / Capital	<b>(1,352,019)</b>	<b>(258,423)</b>
Equity	<b>64,658,338</b>	<b>52,169,702</b>
Total Capital	<b>64,658,338</b>	<b>52,169,702</b>
<b>Capital and net debt</b>	<b>63,306,319</b>	<b>51,911,279</b>
Net gearing ratio	<b>(2.1%)</b>	<b>(0.5%)</b>

### 15. RESERVES

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve	<b>37,493</b>	<b>31,251</b>
Share based payments reserve	<b>4,602,426</b>	<b>5,110,814</b>
<b>Foreign currency translation reserve</b>		
Balance at beginning of year	<b>31,251</b>	<b>38,763</b>
Foreign exchange differences arising on translation of foreign operations	<b>6,242</b>	<b>(7,512)</b>
Balance at end of year	<b>37,493</b>	<b>31,251</b>
<b>Share based payments reserve</b>		
Balance at beginning of year	<b>5,110,814</b>	<b>5,094,942</b>
Fair value of Class T Performance Rights converted into ordinary shares	-	(192,802)
Fair value of Class S Performance Rights converted into ordinary shares	-	(772,083)
Fair value of Class S Performance Rights recognised	-	123,121
Fair value of Class T Performance Rights recognised	-	43,278)
Fair value of Class U Performance Rights (lapsed) / recognised	<b>(814,358)</b>	<b>814,358</b>
Fair value of Class V Performance Rights recognised	<b>155,222</b>	-
Fair value of Class W Performance Rights recognised	<b>33,882</b>	-
Fair value of Class X Performance Rights recognised	<b>46,197</b>	-
Fair value of Class Y Performance Rights recognised	<b>9,580</b>	-
Fair value of Class Z Performance Rights recognised	<b>61,089</b>	-
Balance at end of year	<b>4,602,426</b>	<b>5,110,814</b>

**15. RESERVES (continued)**

**Nature and purpose of reserves**

**Foreign currency reserve**

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency for foreign operations.

**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments provided to employees, consultants and other third parties. Amounts are transferred to issued capital upon exercise of underlying equity instruments.

**16. SHARE BASED PAYMENTS**

The share-based payments expense recognised during the year is comprised as follows:

	2023		2022	
	Number granted	\$	Number granted	\$
Vesting of performance rights (class S) <sup>1</sup>	-	-	-	236,158
Lapsing of performance rights (class S)	-	-	-	(113,037)
Vesting of performance rights (class T) <sup>1</sup>	-	-	-	43,278
Performance rights granted (class U) <sup>1</sup>	-	-	20,500,000	814,358
Lapsing of performance rights (class U) <sup>1</sup>	-	(814,358)	-	-
Performance rights granted (class V) <sup>1</sup>	4,000,000	155,222	-	-
Performance rights granted (class W) <sup>1</sup>	1,000,000	33,882	-	-
Performance rights granted (class X) <sup>1</sup>	1,000,000	46,197	-	-
Performance rights granted (class Y) <sup>1</sup>	200,000	9,580	-	-
Performance rights granted (class Z) <sup>1</sup>	5,000,000	61,089	-	-
		<u>(508,388)</u>		<u>980,757</u>

**Notes**

1. The fair value at grant date is recognised over the vesting period.

**(a) Options**

The movement in options during the year is set out below:

	2023	2022
	Number	Number
Opening balance	6,500,000	65,596,109
Exercised during the year	-	(35,935,430)
Expired during the year	(1,500,000)	(23,160,679)
Closing balance	<u>5,000,000</u>	<u>6,500,000</u>

No options were granted during the current year (2022: nil).

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2023 was 0.01 years (30 June 2022: 0.09 years).

The exercise price for share-based payment options outstanding as at the end of the year was \$0.15 (30 June 2022: ranged from \$0.15 to \$0.18).

Holders of options do not have any voting or dividend rights in relation to the options.



# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 16. SHARE BASED PAYMENTS (continued)

#### (b) Performance Rights

The following table illustrates the movement in the number of performance rights on issue during the prior year:

	Opening balance at 1 July 2022	Granted during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance at 30 June 2023
Cass U	20,500,000	-	-	(20,500,000)	-
Class V	-	4,000,000	-	-	4,000,000
Class W	-	1,000,000	-	-	1,000,000
Class X	-	1,000,000	-	-	1,000,000
Class Y	-	200,000	-	-	200,000
Class Z	-	5,000,000	-	-	5,000,000
	<u>20,500,000</u>	<u>11,200,000</u>	<u>-</u>	<u>(20,500,000)</u>	<u>11,200,000</u>

The following table illustrates the movement in the number of performance rights on issue during the prior year:

	Opening balance at 1 July 2021	Granted during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance at 30 June 2022
Class S	5,000,000	-	4,250,000	750,000	-
Class T	2,000,000	-	2,000,000	-	-
Cass U	-	20,500,000	-	-	20,500,000
	<u>7,000,000</u>	<u>20,500,000</u>	<u>6,250,000</u>	<u>750,000</u>	<u>20,500,000</u>

The vesting conditions of the performance rights on issue at 30 June 2023 are set out below:

	Vesting condition	Quantum of performance rights to vest	Status at 30 Jun 2023
Class V	Remains an employee of the Group as at 28 October 2023	2,000,000	Not yet vested
Class V	Remains an employee of the Group as at 28 October 2024	2,000,000	Not yet vested
Class W	Remains an employee of the Group as at 14 November 2023	500,000	Not yet vested
Class W	Remains an employee of the Group as at 14 November 2024	500,000	Not yet vested
Class X	Remains an employee of the Group as at 28 April 2024	300,000	Not yet vested
Class X	Pre-defined reduction achieved in cost of processing digital traffic	700,000	Not yet vested
Class Y	Meeting pre-defined targets in relation to new products	200,000	Vested, not yet exercised
Class Z	Remains an employee of the Group as at 31 December 2023	2,500,000	Not yet vested
Class Z	Remains an employee of the Group as at 31 December 2024	2,500,000	Not yet vested

The fair value of performance rights granted during the year was \$768,977 (2022: \$3,237,966) with such fair value being recognised as an expense over the vesting period. The expense recognised in the current year in relation to performance rights granted in the current year was \$305,969 (2022: \$814,358).

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 16. SHARE BASED PAYMENTS (continued)

#### (c) Performance Rights (continued)

The performance rights issued during the current year were valued at grant date using the Black-Scholes model and took into account the following information and assumptions:

Class	Date by which vesting condition is to be achieved	Number granted	Grant date	Exercise price	Dividend yield	Expected volatility	Risk free interest rate
Class V	28/10/2023	2,000,000	12/10/2022	Nil	0.00%	81.76%	3.27%
Class V	28/10/2024	2,000,000	12/10/2022	Nil	0.00%	81.76%	3.27%
Class W	14/11/2023	500,000	13/12/2022	Nil	0.00%	81.75%	3.10%
Class W	14/11/2024	500,000	13/12/2022	Nil	0.00%	81.75%	3.10%
Class X	28/04/2024	150,000	15/09/2022	Nil	0.00%	82.47%	3.21%
Class X	28/04/2024	150,000	12/09/2022	Nil	0.00%	82.16%	3.08%
Class X	31/12/2023	350,000	15/09/2022	Nil	0.00%	82.47%	3.21%
Class X	31/12/2023	350,000	12/09/2022	Nil	0.00%	82.16%	3.08%
Class Y	Vested on issue	200,000	16/05/2023	Nil	0.00%	73.49%	3.25%
Class Z	31/12/2023	2,500,000	19/04/2023	Nil	0.00%	73.78%	3.20%
Class Z	31/12/2024	2,500,000	19/04/2023	Nil	0.00%	73.78%	3.20%

Holders of performance rights do not have any voting or dividend rights in relation to the performance rights.

### 17. ACCUMULATED LOSSES

	Consolidated 2023	2022
	\$	\$
Accumulated losses at the beginning of financial year	(55,651,382)	(46,568,582)
Net loss for the year	(10,918,030)	(9,082,800)
Accumulated losses at the end of financial year	<u>(66,569,412)</u>	<u>(55,651,382)</u>

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### (a) Financial assets (other than cash and cash equivalents)

	Consolidated 2023	2022
	\$	\$
<b>Financial assets at amortised cost</b>		
Trade and other receivables (Note 8)	506,464	511,961
<b>Financial asset at fair value through profit or loss</b>		
Convertible loan note derivative (Note 13)	1,299,000	828,000
<b>Total financial assets (other than cash and cash equivalents)</b>	<u>1,805,464</u>	<u>1,339,961</u>
Total current	1,805,464	511,961
Total non-current	-	828,000
	<u>1,805,464</u>	<u>1,339,961</u>

# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### (b) Financial liabilities

	Consolidated 2023 \$	2022 \$
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (Note 11)	587,707	430,614
<b>Interest bearing liabilities</b>		
Lease liabilities (Note 10)	390,279	486,371
Convertible loan note liability (Note 13)	3,721,109	2,955,982
<b>Total financial liabilities</b>	<b>4,699,095</b>	<b>3,872,967</b>
 Total current	 4,439,772	 547,168
Total non-current	259,323	3,325,799
	<b>4,699,095</b>	<b>3,872,967</b>

#### (c) Financial instruments risk management objectives and policies

The Group's principal financial assets comprise trade and other receivables and cash and short-term deposits derived directly from its operations. The Group has recognised a derivative attached to the convertible loan notes issued in the current year. The fair value of the convertible loan note derivative has been assessed as \$1,299,000 at 30 June 2023 (2022: \$828,000). At 30 June 2022 the Group also held a minority 10% equity investment in an unlisted entity. The Group assessed the fair value of this investment to be nil. During the current year, the Group disposed of this equity investment for nil proceeds.

The Group's principal financial liabilities comprise trade and other payables, interest-bearing lease liabilities and an interest-bearing convertible loan note liability. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management team oversees the management of these risks and is responsible for ensuring that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

##### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include trade and other receivables, convertible loan note derivative, trade and other payables, interest-bearing lease liabilities and interest-bearing convertible loan note liability.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is negligible given that the Group has no floating rate instruments and the terms of the lease liability and convertible loan note that have been recognised were agreed upfront.

##### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The only material financial instruments denominated in a foreign currency held by the Group are cash amounts denominated in United States Dollars (USD), certain trade and other receivables denominated in USD and certain trade payables denominated in USD.

**18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**(c) Financial instruments risk management objectives and policies (continued)**

**Foreign currency risk (continued)**

A summary of the AUD equivalent of the Group's USD denominated financial instruments at the reporting date is as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>600,710</b>	1,118,289
Trade and other receivables	<b>161,283</b>	216,339
Trade payables	<b>(50,802)</b>	(47,402)
Net exposure	<b>711,191</b>	1,287,226

The sensitivity analysis below relates to the foreign currency risk exposures in existence at the reporting date. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	<b>Effect on loss before tax (Higher)/Lower</b>		<b>Effect on pre-tax equity Higher/(Lower)</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
+11%	<b>94,376</b>	141,595	<b>94,376</b>	141,595
-11%	<b>(94,376)</b>	(141,595)	<b>(94,376)</b>	(141,595)

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily in relation to trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**i. Trade receivables and contract assets**

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the customer's financial position, past working experience with the customer (if any) and any other applicable factors. Individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and followed up accordingly.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are generally based on days past due after considering any other relevant forward-looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different jurisdictions and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

<b>30 June 2023</b>		<b>Days past due</b>			
	<b>Total</b>	<b>Current</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt; 90 days</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total gross carrying amount</b>	<b>529,207</b>	<b>400,337</b>	<b>55,228</b>	<b>10,039</b>	<b>63,602</b>
<b>Expected credit loss rate</b>		<b>2%</b>	<b>53%</b>	<b>100%</b>	<b>100%</b>
<b>Expected credit loss</b>	<b>(110,326)</b>	<b>(7,513)</b>	<b>(29,171)</b>	<b>(10,039)</b>	<b>(63,602)</b>
<b>Net carrying amount</b>	<b>418,881</b>	<b>392,824</b>	<b>26,057</b>	<b>-</b>	<b>-</b>

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**18. FINANCIAL ASSETS AND LIABILITIES (continued)**

**(c) Financial instruments risk management objectives and policies (continued)**

**Credit risk (continued)**

**i. Trade receivables and contract assets**

30 June 2022	Days past due				
	Total	Current	30-60 days	61-90 days	> 90 days
	\$	\$	\$	\$	\$
<b>Total gross carrying amount</b>	409,423	340,407	44,043	14,797	10,176
<b>Expected credit loss rate</b>		11%	28%	51%	29%
<b>Expected credit loss</b>	(58,861)	(36,068)	(12,357)	(7,528)	(2,908)
<b>Net carrying amount</b>	<u>350,562</u>	<u>304,339</u>	<u>31,686</u>	<u>7,269</u>	<u>7,268</u>

The credit risk associated with the deferred consideration receivable (Note 8) is assessed in the same manner as trade receivables.

At 30 June, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Consolidated	
	2023	2022
	\$	\$
North America	36,221	14,646
Latin America	3,143	51,391
Asia Pacific	128,805	91,920
Europe	214,818	154,604
Australia	53,814	36,280
Middle East	45,706	-
Other	46,700	1,721
	<u>418,881</u>	<u>350,562</u>

At 30 June, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Consolidated	
	2023	2022
End-user customers	<u>418,881</u>	<u>350,562</u>

**ii. Cash and cash equivalents**

The Group held cash and cash equivalents of \$6,339,205 at 30 June 2023 (2022: \$5,050,516). All cash and cash equivalents are held with banks and electronic money accounts which the Group considers to be low risk.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and funding to ensure that the Group can meet its obligations when due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group holds the majority of its financial assets (excluding cash) as trade receivables with reputable customers who have had no significant payment issues in the past and hence, does not have any material liquidity risk at the reporting date.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**18. FINANCIAL ASSETS AND LIABILITIES (continued)**

**(c) Financial instruments risk management objectives and policies (continued)**

**Liquidity risk (continued)**

**Exposure to liquidity risk**

The following tables compare the carrying amounts at balance date to the remaining contractual liabilities at various maturities at balance date. The contractual amounts are gross, undiscounted, include any contractual interest payments and exclude the impact of netting arrangements:

30 June 2023	Carrying amount \$	Contractual cash flows				
		Total \$	12 months or less \$	1-2 years \$	2-5 years \$	5-10 years \$
<b>Non-derivative financial liabilities</b>						
Trade payables	587,707	587,707	587,707	-	-	-
Lease liabilities	390,279	417,878	136,183	281,695		
Convertible loan notes <sup>1</sup>	3,721,109	3,503,762	3,503,762	-	-	-
	<b>4,699,095</b>	<b>4,509,347</b>	<b>4,227,652</b>	<b>281,695</b>	<b>-</b>	<b>-</b>

1. The convertible loan notes automatically convert into equity on 12 April 2024. The Company has no intention to redeem the convertible loan notes by way of a cash settlement. Refer to Note 13 for further details.

30 June 2022	Carrying amount \$	Contractual cash flows				
		Total \$	12 months or less \$	1-2 years \$	2-5 years \$	5-10 years \$
<b>Non-derivative financial liabilities</b>						
Trade payables	430,614	430,614	430,614			-
Lease liabilities	486,371	551,072	133,194	275,445	142,433	-
Convertible loan notes	2,955,982	3,503,762	-	3,503,762	-	-
	<b>3,872,967</b>	<b>4,485,448</b>	<b>563,808</b>	<b>3,779,207</b>	<b>142,433</b>	<b>-</b>

**Fair values**

Fair values of financial assets and liabilities have been assessed as being equivalent to their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The Group values derivative financial instruments using valuation techniques, such as the Monte Carlo simulation model, which employ the use of market observable inputs such as share price, volatility and risk-free rates. This valuation methodology is Level 2 in the fair value hierarchy,

For financial instruments carried at fair value, the Group uses various methods in estimating fair value. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The 10% equity investment in an unlisted entity held by the Group at 30 June 2022 was carried at nil value. The fair value for this investment was determined using the Level 3 method. This investment was disposed of for nil consideration during 2023.

**Adveritas Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2023**

**19. COMMITMENTS AND CONTINGENCIES**

**(a) Lease Commitments – Group as lessee**

Future minimum rentals payable under short-term and low-value leases are as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Within one year	<b>12,993</b>	4,992
After one year but not more than five years	-	-
More than five years	-	-
	<b>12,993</b>	<b>4,992</b>

**(b) Property, Plant and Equipment Commitments**

At balance date the Group had no contractual obligations to purchase plant and equipment (2022: nil).

**(c) Other Commitments**

On 30 September 2020, the Group entered into an agreement with Google Australia Pty Limited in which the Company committed to a minimum spend of USD1,500,000 over 36 months on Google Cloud Platform services. If the spend on the Google Cloud Platform service is less than USD1,500,000 over the 36 month period, a “true-up” payment of the difference between accrued charges over the 36 months and the USD1,500,000 will be payable in addition to the accrued charges.

**(d) Contingent Liabilities**

At balance date the Group had no pending legal claims or other contingent liabilities (2022: nil).

**20. GROUP STRUCTURE AND RELATED PARTY DISCLOSURES**

**a) Group structure**

The consolidated financial statements include the financial statements of Adveritas Limited (the parent entity) and the entities listed in the following table.

	<b>Country of incorporation</b>	<b>% Equity interest</b>	
		<b>2023</b>	<b>2022</b>
Livelynk Group Pty Ltd <sup>1</sup>	Australia	100	100
TrafficGuard Pty Ltd <sup>2</sup>	Australia	100	100
TrafficGuard APAC Pte Ltd <sup>2</sup>	Singapore	100	100
TrafficGuard US Inc <sup>2</sup>	United States	100	100
Apperture d.o.o <sup>2</sup>	Croatia	100	100
TrafficGuard UK <sup>2</sup>	United Kingdom	100	100
TrafficGuard LATAM <sup>2</sup>	Brazil	100	100

Notes:

- equity interest is held directly by Adveritas Limited
- equity interest is held directly by Livelynk Group Pty Ltd

**b) Transactions with related parties**

During the current year, Adveritas Limited continued its consultancy agreement with 13811 Advisory Pte Ltd, a company controlled by Mr Stott. The services, which came to an end on 31 May 2023, included the provision of promotion and marketing advice and assistance. Under the agreement, Mr Stott was entitled to fees of \$5,000 per month. These fees were in addition to the salary and fees disclosed in section 3 of the Directors’ Report. At 30 June 2023, no amount was owing to 13811 Advisory Pte Ltd (2022: \$5,000).

**c) Guarantees**

None of the entities within the Group are guarantors.

## Adveritas Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2023

#### 21. AUDITORS' REMUNERATION

Remuneration of the Group's auditor, Ernst and Young, was as follows:

	Consolidated 2023	2022
	\$	\$
Audit or review of the consolidated financial report	102,125	94,414
Tax compliance services provided	38,000	115,603
	<u>140,125</u>	<u>210,017</u>

#### 22. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the data used in the calculation of the basic and diluted loss per share:

	2023 Number	2022 Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	488,964,285	423,496,084
Weighted average number of ordinary shares used in the calculation of diluted loss per share	488,964,285	423,496,084
	\$	\$
Loss attributable to ordinary equity holders of Adveritas Limited for basic and diluted loss	(10,918,030)	(9,082,800)
	Cents	Cents
Basic earnings loss per share	(2.23)	(2.14)
Diluted loss per share	(2.23)	(2.14)

##### Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic loss per share.

##### Classification of securities as potential ordinary shares

No securities have been classified as dilutive potential ordinary shares on issue in the current year because the options and performance rights on issue are considered anti-dilutive on the basis that their inclusion in the calculation would reduce the loss per share.

The potential ordinary shares considered anti-dilutive at year end are as follows:

- Unlisted options (5,000,000 on issue at 30 June 2023);
- Performance rights (11,200,000 on issue at 30 June 2023); and
- Convertible loan notes (number of shares to be issued is dependent on the share price at maturity, 12 April 2024).

On 3 July 2023, 14,583,333 shares were issued to raise \$700,000. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.



# Adveritas Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2023

### 23. DIRECTORS AND EXECUTIVE DISCLOSURE

#### Compensation of Key Management Personnel

	Consolidated 2023	2022
	\$	\$
Short-term employee benefits	2,230,545	1,726,437
Post-employment benefits	97,365	78,760
Other long-term benefits	25,903	11,454
Share based payments	(564,164)	744,599
	<u>1,789,649</u>	<u>2,561,250</u>

### 24. PARENT ENTITY INFORMATION

The following information relates to the legal parent entity of the Group, being Adveritas Limited. The information presented has been prepared using consistent accounting policies as presented in Note 2.

	As at 30 June 2023	As at 30 June 2022
	\$	\$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	6,816,604	3,316,299
Non-current assets	7,262	833,178
<b>Total assets</b>	<u>6,823,867</u>	<u>4,149,477</u>
<b>Liabilities</b>		
Current liabilities	4,605,222	814,272
Non-current liabilities	37,939	2,976,810
<b>Total liabilities</b>	<u>4,643,161</u>	<u>3,791,082</u>
<b>Net assets</b>	<u>2,180,706</u>	<u>358,395</u>
<b>Equity</b>		
Contributed equity	61,426,236	48,937,600
Share based payment reserve	3,288,280	3,796,667
Accumulated losses	(62,533,810)	(52,375,872)
<b>Total equity</b>	<u>2,180,706</u>	<u>358,395</u>
<b>Financial Performance</b>		
Loss for the year	(10,157,938)	(10,410,644)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<u>(10,157,938)</u>	<u>(10,410,644)</u>

### 25. EVENTS AFTER BALANCE SHEET DATE

On 3 July 2023, 14,583,333 shares were issued to raise \$700,000. No event has arisen since 30 June 2023 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

## Adveritas Limited Directors' Declaration

### In the directors' opinion:

- (a) The consolidated financial statements and notes of Adveritas Limited set out on pages 22 to 62 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's consolidated financial position as at 30 June 2023 and its performance for the financial year ended on that date, and
- (b) Note 2(b) confirms that the consolidated financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (c) Subject to Note 2(x), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

On behalf of the board



**Mathew Ratty**  
**Managing Director and Chief Executive Officer**

Perth, Western Australia  
Dated 31 August 2023



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working world**

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## **Independent auditor's report to the Members of Adveritas Limited**

### **Report on the audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Material uncertainty related to going concern**

We draw attention to Note 2(x) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

### 1. Accounting for derivative financial instruments

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note 13 to the financial report, during the financial year ended 30 June 2022, the Group issued 3,000,000 convertible notes each with a face value of \$1 to strategic, professional and sophisticated investors. The loan notes have a maturity date of 12 April 2024, at which point the notes, together with all accrued interest will be automatically converted into a variable number of fully paid ordinary shares in the Company.</p> <p>In accordance with AASB 132 Financial Instruments: Presentation, upon initial recognition of the convertible notes the Group recognised two separate financial instruments; a convertible note liability valued at \$2,913,900 and a derivative financial liability valued at \$86,100. The convertible note liability is subsequently measured at amortised cost and the derivative financial instrument is subsequently measured at fair value.</p> <p>The remeasurement of the derivative financial instrument at 30 June 2023 resulted in a fair value gain of \$471,000 being recognised in the consolidated statement of profit or loss for the year ended 30 June 2023.</p> <p>At year end the derivative financial instrument was valued at \$1,299,000 (derivative asset).</p> <p>Due to the inherent complexity and judgment required to value the derivative financial instrument, including key inputs such as share price, risk free rate and expected volatility, we considered the Group's accounting for derivative financial instruments to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's recognition, measurement, classification and treatment of the convertible notes, in accordance with the requirements of Australian Accounting Standards, which included understanding the terms and conditions within the convertible note agreements.</li> <li>▶ For the derivative financial instrument component of the convertible note, we engaged our valuation specialists to determine our own point estimate based on the appropriate valuation techniques and compared the results to management's calculation.</li> <li>▶ Assessed the adequacy of the presentation and disclosures in Note 13 of the financial report.</li> </ul>

## Information Other than the Financial Report and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2023 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 responsibilities for the audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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.

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

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the 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 audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Adveritas Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.



Ernst & Young



Mark P Cunningham  
Partner  
Perth  
31 August 2023