

APPENDIX 4E

Reporting period

Current reporting period:	Year ended 30 June 2024
Previous reporting period:	Year ended 30 June 2023

Results for announcement to the market

Revenue from ordinary activities

Continuing operations	up	41%	to	\$4,156,993	from	\$2,949,228
Loss from ordinary activities after tax attributable to members	up	6%	to	(\$11,594,985)	from	(\$10,918,030)
Net loss for the period attributable to members	up	6%	to	(\$11,594,985)	from	(\$10,918,030)

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

The net tangible asset backing per share at 30 June 2024 is in credit, resulting from the fact that at 30 June 2024, the Company reported a net liability position of \$1,121,259. This net liability position is predominantly due to convertible loan notes which are classified as current liabilities at 30 June 2024. The convertible loan notes mature in April 2025, having been extended from April 2024 during the current year. The carrying amount of the convertible loan notes at 30 June 2024 is \$4,259,858. A derivative financial asset associated with the convertible loan notes has also been recognised at 30 June 2024. The convertible loan note derivative has a carrying amount of \$879,444 and is included in current assets. On maturity, the principal and the interest capitalised to 12 April 2024 (the original maturity date), which amounts to \$3,503,762, will be automatically converted into fully paid ordinary shares in the Company. The interest capitalised over the period 13 April 2024 to 12 April 2025 (the extended maturity date) will be settled in cash.

30 June 2024:	Net tangible asset backing (0.13) cents per share ¹
30 June 2023:	Net tangible asset backing 0.44 cents per share ¹

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).

For personal use only

ADVERTITAS LIMITED

ABN 88 156 377 141

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

Adveritas Limited Corporate Directory

Directors

Non-Executive Chairman Mr Joshua Lowcock

Managing Director and Chief Executive Officer Mr Mathew Ratty

Non-Executive Directors Mr Mark McConnell
Mr Andrew Stott
Mr Scott Thomson
Mr Marc Phillips

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 17, 221 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

For personal use only

Adveritas Limited
Contents

	Page
Directors' Report	2
Auditor's Independence Declaration	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	24
Consolidated Statement of Financial Position	25
Consolidated Statement of Cash Flows	26
Consolidated Statement of Changes in Equity	27
Notes to the Consolidated Financial Statements	28
Consolidated Entity Disclosure Statement	66
Directors' Declaration	67
Independent Auditor's Report	68

For personal use only

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 2024 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 is a New York based senior executive in media and advertising. Mr Lowcock is the President of Media for Quad (NYSE:QUAD), a prominent marketing experience company, leading Quad's media agency and data capability. Prior to joining Quad, Mr Lowcock served as the Global Chief Media Officer of UM, part of Interpublic Group (NYSE: IPG). Mr Lowcock has held similar marketing, media, and technology roles in Australia and China.

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 Cashrewards Limited (ASX: CRW, delisted on 21 January 2022). He previously served as a non-executive director of Accent Group Limited (ASX: AX1) and Prime Media Group Limited (ASX: PRT), where he was a member of the board during the successful acquisition by Seven West Media (ASX.SWM). Mr Lowcock resigned from Accent Group Limited on 17 November 2023 and from Prime Group Media on 31 December 2021.

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.

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 (now named Magentus Group) in 2007, a leading software and technology company.

Mr McConnell currently serves as the Chief Executive Officer of Magentus Group 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 Master of Business Administration. He is also a Fellow of the Australian Institute of Company Directors (FAICD).

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

Adveritas Limited Directors' Report

DIRECTORS (continued)

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 transactions in Asia, Australia, Europe and the USA in excess of US\$20 billion.

Mr Stott established his own advisory firm in early 2018 which 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.

Mr Scott Thomson **Non-Executive Director (appointed on 11 April 2024)**

Mr Thomson worked globally for Google between 2015 and 2024 in the Google Ads Data Platforms, Google Analytics and Google Cloud product areas and served as the Head of Innovation at Google Cloud.

Previously, Mr Thomson worked with Adobe across the Asia Pacific region on digital strategy and digital transformation. This work was primarily focused on real time data and personalised content and advertising with large enterprises in that region.

Mr Thomson graduated with a Bachelor of Computer Science (Honours), with a major in Artificial Intelligence, and has a postgraduate diploma in innovation and design thinking.

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

Mr Marc Phillips **Non-Executive Director (appointed on 11 April 2024)**

Mr Phillips has extensive experience in sports betting and in providing venture capital funding to Software-as-a-Service (SaaS) companies. He is a successful entrepreneur, founding two online sports betting and gaming companies: Sportbets.com.au, a real time odds affiliate platform, founded in 2004 and subsequently acquired by SportsBet in 2011; and Bets.com.au, a sports betting and racing tips portal, founded in 2013 and sold in 2016.

Since 2011, Mr Phillips has served as a venture capitalist, investing in early stage B2B SaaS technology companies and has successfully helped scale companies in the USA by raising capital, facilitating strategic channel partnerships and has overseen numerous merger and acquisition transactions.

Mr Phillips completed a Bachelor Degree in Commerce from the University of Melbourne.

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

Mr Renaud Besnard **Non-Executive Director (resigned on 30 April 2024)**

Mr Besnard is a senior growth and marketing executive 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.

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 three years prior to his resignation, Mr Besnard had not served as a director of any other ASX listed company.

Adveritas Limited Directors' Report

DIRECTORS (continued)

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

Mr Belben had 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 in Australia.

Mr Belben was a Chartered Accountant with a Bachelor of Accountancy degree and a Bachelor of Commerce Honours degree.

During the three years prior to his resignation, Mr Belben had not served as a director of any other ASX listed company.

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2024 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 2024			As at the date of this report		
	Ordinary shares	Share options	Performance Rights	Ordinary shares	Share options	Performance Rights
J. Lowcock	880,000	-	-	880,000	-	-
M. Ratty	27,460,544	-	5,000,000	27,460,544	-	5,000,000
M. McConnell	105,503,433	-	-	105,503,433	-	-
A. Stott	1,100,000	-	-	1,100,000	-	-
S. Thomson	1,000,000	-	-	1,000,000	-	-
M. Phillips	-	-	-	-	-	-

COMPANY SECRETARY

Ms Susan Park is a governance professional with over 25 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, a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute 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

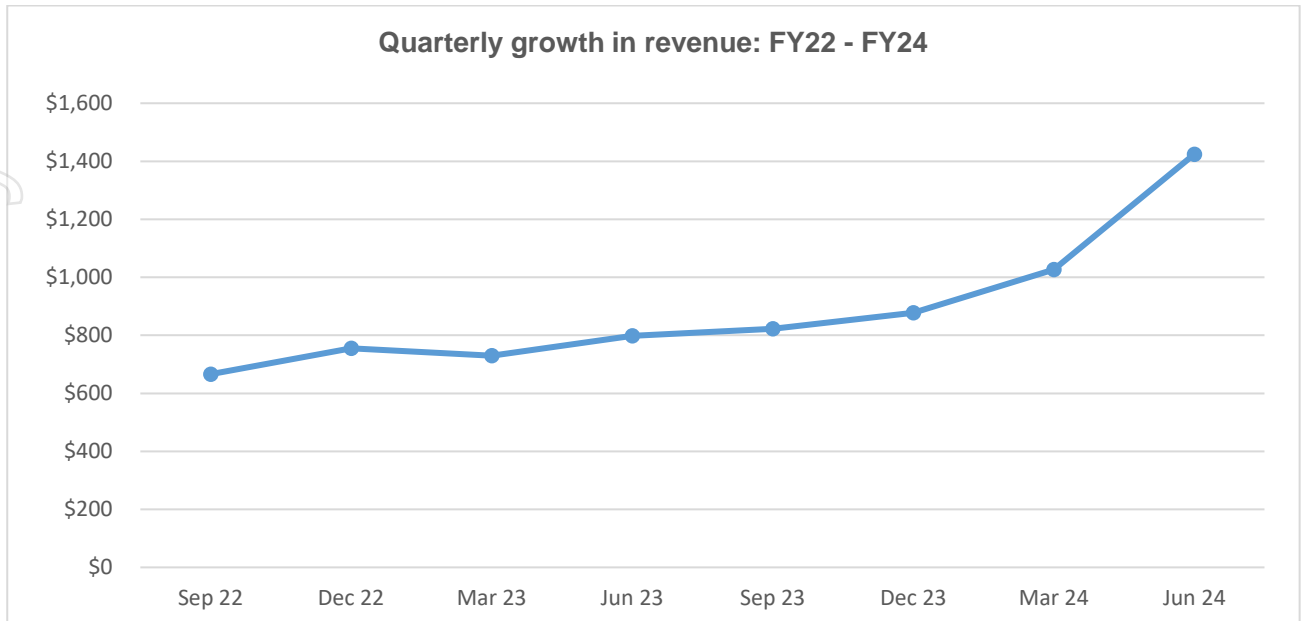
Strong revenue growth

Revenue has consistently trended upwards over the last two financial years. The Group recorded revenue of \$4,156,993 for the current year (FY24), representing an increase of 41% on the FY23 revenue of \$2,949,228 which in turn was 45% higher than the FY22 revenue of \$2,031,794.

The growth in revenue has been driven by both an increase in customer numbers and an increase in contract values. The customer base, a combination of enterprise and self-serve clients, increased by 22% from FY23 and by 65% from FY22.

**Adveritas Limited
Directors' Report**

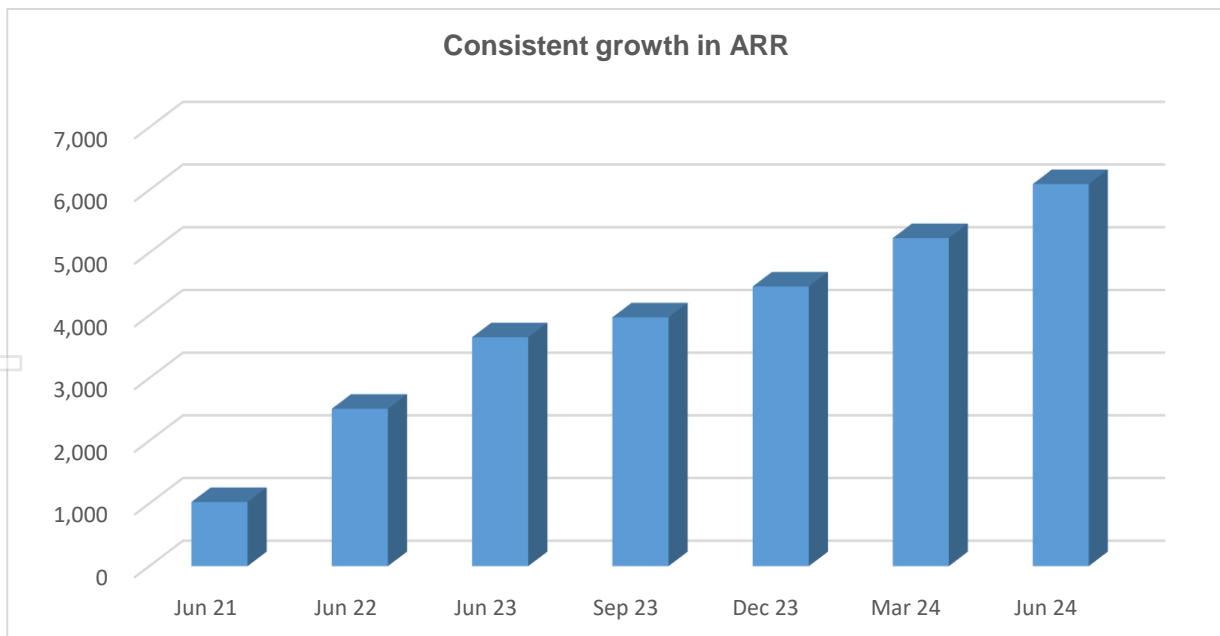
OPERATING AND FINANCIAL REVIEW (continued)



The increase in contract values during FY24 has been due to a combination of existing clients choosing to expand their ad spend being protected by TrafficGuard, and price increases supported by the release of new and enhanced product features.

Contract expansions were executed within a number of verticals during FY24, including sports betting, online gaming, entertainment, telecommunications, insurance, fintech and real estate and generated annual recurring revenue (**ARR**) of circa \$984,000 and contributed to the consistent growth in ARR.

ARR from contracts in place at 30 June 2024 reached circa \$6,090,000, an increase of 67% from the 30 June 2023 ARR of approximately \$3,650,000.



For personal use only

Adveritas Limited Directors' Report

OPERATING AND FINANCIAL REVIEW (continued)

Strong traction in sports betting and online gaming

The sports betting and gaming verticals have been identified as high priority for the Company's sales and marketing efforts given these are the verticals where the Company has proven success, the sales cycle is shortest and annual contract values are the highest.

New contracts with 23 sports betting and gaming clients were signed in FY24, including one of the world's largest sports betting organisations with US operations, and collectively generated ARR of approximately \$1,900,000. Contract upsells executed with sports betting and gaming clients during FY24 increased ARR by circa \$900,000 and resulted in the Company's highest individual contract value of approximately \$760,000.

Globally, sports betting and online gaming are among the fastest growing digital advertising verticals. The Company has identified over 1,300 global sports betting and gaming companies to target and is currently servicing 42 customers in this segment, which demonstrates the growth opportunity available.

New products and enhanced features

Launch of Pmax product

The product portfolio was expanded during FY24 with the launch of TrafficGuard's Pmax solution for Google's Performance Max product (Google Performance Max).

Google Performance Max is a cross-channel (YouTube, Display, Search, Discover, Gmail, and App) performance advertising solution. It is a high priority for Google, and Google is actively driving adoption and, in some cases, auto upgrading advertisers to Google Performance Max.

The TrafficGuard PMax solution is well positioned to capitalise on increasing marketer demand for transparency across the digital programmatic advertising supply chain.

Smart Ranges

The Smart Ranges feature released during FY24 is designed specifically for gaming and betting clients to address issues related to sophisticated large-scale invalid traffic and fraud. Whilst designed for these vertical, it has broad applications across other verticals.

The Smart Ranges feature is unique due to its ability to significantly scale TrafficGuard's prevention capabilities. Initial rollouts have shown promising results, with clients experiencing substantial increases in the return on their investment in digital ad spend.

New invalid traffic dashboard

The rollout of TrafficGuard's new Invalid Traffic (IVT) dashboard to the Company's enterprise customers commenced in June 2024.

The new IVT dashboard leverages innovative models developed by the Company's Data Science and Engineering team and has a number of benefits which include:

- Consumer journey insights
- Incrementality analysis
- Quantified ad spend savings from using TrafficGuard
- Quantified reduced customer acquisition costs and increased lifetime customer value.

The new IVT dashboard enables easy identification of IVT savings, through display of a "with" and "without" TrafficGuard prevention rate, with the difference between these rates being the IVT blocked and ad spend saved.

New user interface

As part of its ongoing commitment to continually enhance TrafficGuard's customer service proposition, the Company released a new TrafficGuard user interface which will drive adoption through its reporting of incremental fraud prevented by TrafficGuard.

Importantly, this quantified saving from TrafficGuard's fraud prevention can be reinvested into clients' ad campaigns, demonstrating the significant value of TrafficGuard.

Adveritas Limited

Directors' Report

OPERATING AND FINANCIAL REVIEW (continued)

Capital raised

During FY24, the Group raised \$7,700,000 through the issue of new shares as follows:

- In July 2023, 14,583,334 shares were issued at 4.8 cents each to raise \$700,000 as part of Tranche 2 of the placement that was announced on 15 May 2023.
- In December 2023, 44,500,000 shares were issued at 5 cents each to raise \$2,225,000 as part Tranche 1 of the placement announced on 12 December 2023.
- In April 2024, 5,500,000 shares were issued at 5 cents each to raise \$275,000 as part Tranche 2 of the placement announced on 12 December 2023. These shares were issued to Non-Executive Chairman, Joshua Lowcock, and Non-Executive Director, Mark McConnell.
- In May 2024, 75,000,000 shares were issued at 6 cents each to raise \$4,500,000 as announced on 1 May 2024.

Subscribers to the placements have included both new investors and existing long-term shareholders, including high net worth family offices and professional funds managers.

The strengthened cash balance following the placements has allowed the Company to focus on its key objective of achieving positive cash flows from operations and have supported:

- Continued global growth, with specific focus on the USA gaming and sports betting market;
- Key product enhancements;
- Development of new client driven features; and
- Streamlining processes to shorten the enterprise client sales cycle.

Financial summary

	FY24 \$	FY23 \$
Revenue from software as a service	4,156,993	2,949,228
Server hosting and other product costs	(1,294,300)	(1,292,461)
Employment costs	(10,474,143)	(11,115,665)
Marketing costs	(1,669,790)	(1,735,115)
Administration costs	(1,485,171)	(1,693,433)
Overheads	(14,923,404)	(15,836,674)
Grants received	773,121	1,979,591
Interest and sundry income	114,627	133,686
Finance costs (see Note 5)	(785,872)	(799,210)
Foreign exchange differences	(57,414)	(63,699)
Depreciation	(174,114)	(183,778)
Share-based payments (see Note 17)	(387,705)	508,388
Bad debts and expected credit losses	(102,079)	(66,521)
Fair value (loss) / gain on convertible loan note derivative (see Note 14)	(733,556)	471,000
Gain on modification of convertible loan note derivative (see Note 14)	314,000	-
Gain on modification of convertible loan notes (see Note 14)	221,429	-
Other (expenses) / gains	(817,563)	1,979,457
Loss before income tax	(11,583,974)	(10,907,989)

Revenue has continued its upwards trend with an increase of 37% on FY23 which has been driven by both an increase in customer numbers and an increase in contract values.

Overheads have declined by 6% from FY23 which has resulted from a number of initiatives implemented to reduce the Group's cost base. Annualised cost savings of circa \$1,700,000 were identified in December 2023, driven largely by an organisational restructure.

Adveritas Limited Directors' Report

OPERATING AND FINANCIAL REVIEW (continued)

Financial summary (continued)

The loss before tax is higher than FY23 as a result of the following:

- Grant income recognised in FY23 relates to the 2021 and 2022 financial years, whereas the grant income in FY24 relates only to the 2023 financial year.
- The share-based payments expense relates to the vesting of performance rights. However, in FY23, there was a net credit of \$508,388 which related to the reversal of previously recognised share-based expenses as the associated performance rights had lapsed prior to vesting. Share-based payments expenses and reversals thereof have no impact on the cash position of the Group.
- In FY24 a fair value loss has been recognised in respect of the derivative associated with the convertible loan notes on issue. However, in FY23 a fair value gain was recognised. Refer to Note 14 for further information. Fair value losses and gains on the convertible loan note derivative have no impact on the cash position of the Group.
- During FY24, the maturity date of the convertible loan notes was extended from 12 April 2024 to 12 April 2025 which resulted in a gain on modification of the convertible loan note derivative of \$314,000 and a gain on modification of the convertible loan notes of \$221,429 being recognised. Refer to Note 14 for further information. These gains have no impact on the cash position of the Group.

MATERIAL BUSINESS RISKS

The Board is committed to monitoring and mitigating business risks faced by the Group, including the key risks listed below that have the potential to materially impact its financial prospects.

These risks are not ranked in any order of importance or timeframe. The intention of the Board's risk management framework is to identify risks to allow the Board and management to plan, assess and execute risk management strategies. Risk management and assessment activities are designed to reduce, or otherwise manage, risks to levels that are acceptable to the Board and management.

Competition and new technologies

The industry in which TrafficGuard operates is highly competitive, fast-paced and fast-changing. Any failure to adapt to rapid technological changes could render TrafficGuard obsolete.

The activities or actions of competitors may negatively affect the Group's operating and financial performance. New technologies could overtake the advancements made by the Group. Similarly, aggressive pricing or additional service offerings from competitors could require the Group to adjust its own pricing and service offerings to continue to generate business, which could negatively impact on the Group's financial position and financial performance.

A program of continuous innovation and development of the TrafficGuard products is in place. In addition, the Group undertakes all reasonable due diligence and research in relation to its competitors and other fraud detection products.

Cyber security

The Group recognises the importance of cyber security in safeguarding digital assets, systems, and information from unauthorised access or disruption. The Group mitigates this risk through various security measures and a contingency Cyber Security Incident Response Plan for business continuity.

Privacy laws

Privacy laws around the world continue to develop and impose greater burdens on businesses when dealing with personally identifiable information. The laws are designed to give greater protections to data owners, improve transparency and require businesses to develop better privacy practices and security processes.

The Group has a number of strategies in place to monitor and comply with the privacy requirements of the jurisdictions in which it operates. Failure to comply could result in pecuniary penalties, negative publicity and brand damage which, if they were to occur, could adversely impact on the Group's financial position and financial performance.

Management of capital resources

In assessing the management of capital resources, the Group is continuing to manage its cash position carefully in accordance with its operating plan and longer-term strategic plan. If the Group is unable to obtain and/or manage additional funds when required, the Group may be forced to delay or reduce the scope of planned software development or commercialisation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs during the course of the 2024 financial year.

Adveritas Limited

Directors' Report

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 2 July 2024, payments from customers amounting to approximately \$750,000 were received in respect of contracts entered into prior to 30 June 2024. No other event has arisen since 30 June 2024 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 Group has a strong growth outlook underpinned by the following:

- **Visible path to positive operating cashflow** through a combination of ongoing cost control, increased contract pricing structures, the offering of attractive prepaid annual contracts, and continued focus on high margin verticals.
- **Record pipeline**, including a growing number of USA prospects that have already commenced trials.
- **Expansion of fraud detection to social media** in response to client demand, with the Company planning to monetise its social media fraud detection product at the end of the September 2024 quarter.
- **New agency partnerships**, which have the potential to substantially accelerate growth.

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.

SHARE OPTIONS

Unissued shares

As at 30 June 2024, there were nil unissued ordinary shares under options (30 June 2023: 5,000,000).

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 17 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 (2023: nil).

PERFORMANCE RIGHTS

Unissued shares

As at 30 June 2024 there were 9,500,000 unissued ordinary shares under performance rights (30 June 2023: 11,200,000).

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 17 for further details of the performance rights outstanding.

Shares issued as a result of the conversion of performance rights

During the financial year 1,700,000 performance rights were converted into ordinary shares (2023: nil).

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.

Adveritas Limited Directors' Report

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 (resigned on 14 July 2023)	0	0	
J. Lowcock (appointed on 17 July 2023)	7	5	
M. Ratty	7	7	
M. Phillips (appointed 11 April 2024)	3	3	
S. Thomson (appointed 11 April 2024)	3	3	
R. Besnard (resigned on 30 April 2024)	6	4	
M. McConnell	7	5	
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.

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:

	2024	2023
	\$	\$
Tax compliance services	<u>25,000</u>	<u>38,000</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 23 for the year ended 30 June 2024.

Adveritas Limited Directors' Report

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2024 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 2024. 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 (resigned on 14 July 2023)
J. Lowcock	Non-Executive Chairman (appointed on 17 July 2023)
S. Thomson	Non-Executive Director (appointed on 11 April 2024)
M. Phillips	Non-Executive Director (appointed on 11 April 2024)
R. Besnard	Non-Executive Director (resigned on 30 April 2024)
M. McConnell	Non-Executive Director
A. Stott	Non-Executive Director

Executive Directors

M. Ratty	Managing Director and Chief Executive Officer
----------	---

Senior Executives

M. Sutton	Chief Operating Officer
E. Shuggi	Chief Product Officer
C. Kinlay	Chief Marketing Officer
F. Muir	Chief Financial Officer
L. Taylor	Founder (resigned on 17 January 2024)

Adveritas Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

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.

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 (2023: 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.

REMUNERATION REPORT (AUDITED) (continued)

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

(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.

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.

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, no performance rights were granted to executives (2023: 10,000,000). There were no options awarded to executives in the current year (2023: nil). The performance rights issued during the prior 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 2023 Annual General Meeting

The remuneration report of Adveritas Limited for the year ended 30 June 2023 was approved by shareholders at the 2023 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	Total	Performance related %
		Salary, fees & annual leave entitlements \$	Commission / Bonus \$	Super \$	Long service leave \$	Performance Rights ¹ \$		
Non-Executive Directors								
S. Belben (resigned on 14 July 2023)	2024	2,440	-	270	-	-	2,710	-
	2023	60,165	-	6,327	-	-	66,492	-
J. Lowcock ⁴ (appointed on 17 July 2023)	2024	27,500	-	-	-	-	27,500	-
	2023	-	-	-	-	-	-	-
M. McConnell ⁴	2024	21,549	-	2,372	-	-	23,921	-
	2023	40,110	-	4,218	-	-	44,328	-
A. Stott ⁴	2024	23,725	-	-	-	-	23,725	-
	2023	43,800	-	-	-	-	43,800	-
M. Phillips ⁴ (appointed 11 April 2024)	2024	4,872	-	-	-	-	4,872	-
	2023	-	-	-	-	-	-	-
S. Thomson ⁴ (appointed 11 April 2024)	2024	4,872	-	-	-	-	4,872	-
	2023	-	-	-	-	-	-	-
R. Besnard ⁴ (resigned on 30 April 2024)	2024	20,075	-	-	-	-	20,075	-
	2023	43,800	-	-	-	-	43,800	-
Executive Directors								
M. Ratty ⁵	2024	375,283	-	27,399	5,828	198,459	606,969	33
	2023	357,511	-	25,253	11,935	(275,343)	119,357	(231)
Total Directors	2024	480,316	-	30,041	5,828	198,459	714,644	28
	2023	545,386	-	35,798	11,935	(275,343)	317,777	(87)

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 ¹ \$		
Senior Executives								
L. Taylor ^{3,5} (resigned on 17 January 2024)	2024	145,423	-	15,603	(5,614)	-	155,412	-
	2023	301,258	-	25,255	13,395	(328,718)	11,190	(2,938)
F. Muir ⁵	2024	231,396	-	25,459	-	-	256,855	-
	2023	186,064	-	19,567	-	(54,786)	150,845	(36)
M. Sutton	2024	432,616	205,769	-	-	120,364	758,749	43
	2023	481,007	176,082	-	-	60,801	717,890	33
C. Kinlay	2024	325,440	-	-	-	-	325,440	-
	2023	311,208	-	-	-	-	311,208	-
E. Shuggi ²	2024	365,711	-	27,399	1,707	34,724	429,541	8
	2023	229,540	-	16,745	573	33,882	280,740	12
Total Senior Executives	2024	1,500,586	205,769	68,461	(3,907)	155,088	1,925,997	19
	2023	1,509,077	176,082	61,567	13,968	(288,821)	1,471,873	(8)
Total Directors and Senior Executives	2024	1,980,902	205,769	98,501	1,921	353,547	2,640,641	21
	2023	2,054,463	176,082	97,365	25,903	(564,164)	1,789,649	(22)

Notes

1. Refer to section 5 below and Note 17 for further information on the vesting conditions attached to performance rights.
2. Mr Shuggi was appointed as Chief Product Officer with effect from 14 November 2022.
3. In addition to the remuneration reflected in the above table, Mr Taylor was paid out his unused annual and long service leave upon his resignation on 17 January 2024 which came to \$85,310 and \$80,575 respectively.
4. During the current year, the Non-Executive Directors voluntarily elected to forego 50% of their fees. There is no obligation for the Company to repay the foregone fees in the future.
5. The net credit amount reflected in the prior year for performance rights is due to the lapsing of the Class U performance rights which had not vested.

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	Status of performance rights at 30 June 2024
Remain as Chief Executive Officer of the Company as at 31 Dec 2023	2,500,000	Vested, not yet exercised
Remain as Chief Executive Officer of the Company as at 31 Dec 2024	2,500,000	Not yet vested

- 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.

Details

- Remuneration:
 - Annual base salary of SGD\$370,000.
 - Commission ranging between 1% and 7% on revenue from contracts entered into or renewed 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	Status of performance rights at 30 June 2024
Remain as Chief Operating Officer of the Company as at 28 Oct 2023	2,000,000	Vested, not yet exercised
Remain as Chief Operating Officer of the Company as at 28 Oct 2024	2,000,000	Not yet vested

Adveritas Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts (continued)

- 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

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	Quantum of performance rights to vest upon achievement of milestone	Status of performance rights at 30 June 2024
Remain as Chief Product Officer of the Company as at 14 Nov 2023	500,000	Vested and exercised
Remain as Chief Product Officer of the Company as at 14 Nov 2024	500,000	Not yet vested

- 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.
- 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 (resigned on 17 January 2024)

Mr Taylor's current employment agreement commenced on 1 October 2022 (Mr Taylor held the position of Chief Operating Officer up to this date). Mr Taylor resigned on 17 January 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.

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

REMUNERATION REPORT (AUDITED) (continued)

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. No performance rights were granted during the current year.

There is a nil exercise price payable on the conversion of performance rights into ordinary shares.

2024	Number of performance rights			Converted into ordinary shares during the year	Lapsed during the year	Closing balance (vested, not yet exercised)	Closing balance (not yet vested)
	Opening balance	Granted during the year	Vested during the year				
Executive directors							
M. Ratty	5,000,000	-	2,500,000	-	-	2,500,000	2,500,000
Senior Executives							
M. Sutton	4,000,000	-	2,000,000	-	-	2,000,000	2,000,000
E. Shuggi	1,000,000	-	500,000	(500,000)	-	-	500,000

2023	Number of performance rights			Converted into ordinary shares during the year	Lapsed during the year	Closing balance (vested, not yet exercised)	Closing balance (not yet vested)
	Opening balance	Granted during the year	Vested during the year				
Executive directors							
M. Ratty	10,000,000	5,000,000	-	-	(10,000,000)	-	5,000,000
Executives							
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)	-	-

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

	Grant date	Number granted	Fair value per performance right at grant date
M Ratty	19/04/2023	5,000,000	\$0.061
M Sutton	12/10/2022	4,000,000	\$0.075
E Shuggi	13/12/2022	1,000,000	\$0.075

Adveritas Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

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

Performance Rights (continued)

	Vesting Condition	Number	Status at 30 June 2024	Expiry date
M Sutton	Remain an employee of the Group at 28 Oct 2023	2,000,000	Vested, not yet exercised	31 Dec 2024
M Sutton	Remain an employee of the Group at 28 Oct 2024	2,000,000	Not yet vested	31 Dec 2024
E Shuggi	Remain an employee of the Group at 14 Nov 2023	500,000	Vested and exercised	
E Shuggi	Remain an employee of the Group at 14 Nov 2024	500,000	Not yet vested	31 Dec 2024
M Ratty	Remain an employee of the Group at 31 Dec 2023	2,500,000	Vested, not yet exercised	22 June 2028
M Ratty	Remain an employee of the Group at 31 Dec 2024	2,500,000	Not yet vested	22 June 2028

Option holdings of KMP

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

	Balance 1 July 2023	Granted as remuneration	Lapsed	Balance 30 June 2024
S. Belben (resigned on 14 July 2023)	1,250,000	-	(1,250,000)	-
R. Besnard (resigned on 30 April 2024)	1,250,000	-	(1,250,000)	-
M. McConnell	1,250,000	-	(1,250,000)	-
A. Stott	1,250,000	-	(1,250,000)	-
Total	5,000,000	-	(5,000,000)	-

Share holdings of KMP

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

	Balance 1 July 2023	On appointment	On resignation	Other net change	Balance 30 June 2024
S. Belben (resigned 14 Jul 2023)	810,000	-	(810,000)	-	-
J. Lowcock (appointed 17 Jul 2023)	-	-	-	880,000	880,000
S. Thomson (appointed 11 Apr 2024)	-	1,000,000	-	-	1,000,000
M. McConnell	89,586,767	-	-	15,916,666	105,503,433
A. Stott	1,100,000	-	-	-	1,100,000
M. Ratty	27,460,544	-	-	-	27,460,544
L. Taylor (resigned 17 January 2024)	10,703,782	-	(10,703,782)	-	-
F. Muir	500,000	-	-	-	500,000
Total	130,161,093	1,000,000	(11,513,782)	16,796,666	136,443,977

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

No transactions and balances occurred and existed during the current financial year with key management personal and their related parties.

END OF REMUNERATION REPORT

**Adveritas Limited
Directors' Report**

Signed in accordance with a resolution of the directors:



Mathew Ratty
Managing Director and Chief Executive Officer
Perth, Western Australia
Dated 28 August 2024

For personal use only



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2024, 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
28 August 2024

For personal use only

Adveritas Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue from contracts with customers	4	4,156,993	2,949,228
Interest income		87,030	46,711
Other income	5(a)	1,336,147	2,066,566
Employment costs	5(b)	(10,474,143)	(11,115,665)
Marketing costs	5(c)	(1,669,790)	(1,735,115)
Server hosting costs		(1,294,300)	(1,292,461)
Administration costs	5(d)	(701,551)	(1,019,375)
Compliance costs	5(e)	(357,001)	(366,969)
Consultancy costs	5(f)	(248,616)	(95,582)
Occupancy costs		(178,003)	(211,507)
Expected credit losses and bad debts expense	5(g)	(102,079)	(66,521)
Depreciation	5(h)	(174,114)	(183,778)
Foreign exchange losses		(57,414)	(63,699)
Finance costs	5(i)	(785,872)	(799,210)
Share based payments (expense) / reversal	17	(387,705)	508,388
Fair value (loss) / gain on convertible loan note derivative		(733,556)	471,000
Loss before income tax		(11,583,974)	(10,907,989)
Income tax expense	6	(11,011)	(10,041)
Loss for the year attributable to the members of Adveritas Limited		(11,594,985)	(10,918,030)
Other comprehensive income net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(22,489)	6,242
Total comprehensive loss for the year attributable to the members of Adveritas Limited		(11,617,474)	(10,911,788)
Loss per share attributable to members of Adveritas Limited			
		Cents	Cents
Basic loss per share	23	(1.66)	(2.23)
Diluted loss per share	23	(1.66)	(2.23)

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 2024

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	4,285,814	6,339,205
Trade and other receivables	8	1,456,226	506,464
Prepayments		132,691	435,239
Convertible loan note derivative	14	879,444	1,299,000
TOTAL CURRENT ASSETS		<u>6,754,175</u>	<u>8,579,908</u>
NON-CURRENT ASSETS			
Plant and equipment	9	29,767	99,779
Right-of-use assets	10	202,107	303,161
TOTAL NON-CURRENT ASSETS		<u>231,874</u>	<u>402,940</u>
TOTAL ASSETS		6,986,049	8,982,848
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	796,474	1,259,917
Income tax payable	6	3,711	401
Deferred revenue	12	2,127,607	65,882
Provisions	13	548,487	754,404
Lease liabilities	10	146,398	130,956
Convertible loan note liability	14	4,259,858	3,721,108
TOTAL CURRENT LIABILITIES		<u>7,882,535</u>	<u>5,932,668</u>
NON-CURRENT LIABILITIES			
Provisions	13	88,346	62,012
Lease liabilities	10	136,427	259,323
TOTAL NON-CURRENT LIABILITIES		<u>224,773</u>	<u>321,335</u>
TOTAL LIABILITIES		8,107,308	6,254,003
NET (LIABILITIES) / ASSETS		<u>(1,121,259)</u>	<u>2,728,845</u>
EQUITY			
Contributed equity	15	72,165,390	64,658,338
Accumulated losses	18	(78,164,397)	(66,569,412)
Share based payment reserve	16	4,862,744	4,602,426
Foreign currency translation reserve	16	15,004	37,493
TOTAL (DEFICIT) / EQUITY		<u>(1,121,259)</u>	<u>2,728,845</u>

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 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		5,168,835	2,711,017
Payments to suppliers and employees		(15,227,769)	(15,982,002)
Research and development grant income received	5(a)	773,121	1,979,591
Other income received		14,140	32,416
Interest received		87,189	37,163
Interest expense on lease liabilities	10	(25,688)	(34,061)
Interest paid		(5)	(23)
Income tax paid		(5,142)	(4,918)
Net cash flows used in operating activities	7	<u>(9,215,319)</u>	<u>(11,260,817)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(8,959)	(85,919)
Proceeds on disposal of plant and equipment		3,384	62
Deposits refunded / (paid) on leased property		6,464	(7,692)
Deferred consideration received on disposal of controlled entity		-	120,824
Net cash flows generated by investing activities		<u>889</u>	<u>27,275</u>
Cash flows from financing activities			
Proceeds from issue of shares		7,700,000	13,017,000
Share issue costs paid		(417,083)	(415,229)
Lease liability payments		(107,454)	(96,092)
Net cash flows provided by financing activities		<u>7,175,463</u>	<u>12,505,679</u>
Net (decrease) / increase in cash and cash equivalents		(2,038,967)	1,272,137
Cash and cash equivalents at the beginning of the year		6,339,205	5,050,516
Effects of exchange rate changes on cash and cash equivalents		(14,424)	16,552
Cash and cash equivalents at the end of the year	7	<u><u>4,285,814</u></u>	<u><u>6,339,205</u></u>

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 2024

	Contributed equity	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2023	64,658,338	(66,569,412)	4,602,426	37,493	2,728,845
Loss for the year	-	(11,594,985)	-	-	(11,594,985)
<i>Other comprehensive expenditure</i>					
Foreign exchange differences arising on translation of foreign operations	-	-	-	(22,489)	(22,489)
Total comprehensive expenditure for the year	-	(11,594,985)	-	(22,489)	(11,617,474)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	7,700,000	-	-	-	7,700,000
Share issue costs	(320,335)	-	-	-	(320,335)
Share issued on conversion of performance rights	127,387	-	(127,387)	-	-
Share based payments expense	-	-	387,705	-	387,705
	7,507,052	-	260,318	-	7,767,370
Balance at 30 June 2024	72,165,390	(78,164,397)	4,862,744	15,004	(1,121,259)
Balance at 1 July 2022	52,169,702	(55,651,382)	5,110,814	31,251	1,660,385
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
Total comprehensive expenditure for the year	-	(10,918,030)	-	6,242	(10,911,788)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	13,017,000	-	-	-	13,017,000
Share issue costs	(528,364)	-	-	-	(528,364)
Share based payments reversal	-	-	(508,388)	-	(508,388)
	12,488,636	-	(508,388)	-	11,980,248
Balance at 30 June 2023	64,658,338	(66,569,412)	4,602,426	37,493	2,728,845

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 2024

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 2024 was authorised for issue in accordance with a resolution of the directors on 28 August 2024.

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 21.

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

The Group has assessed the new accounting standards and interpretations that have been issued but are not yet effective as of balance date. These new accounting standards and interpretations have been considered as not applicable to the Group and have been assessed to have no impact on the Group during the reporting period to which they are applicable. As a result, the Group has not early adopted any new accounting standards and interpretations at balance sheet date.

AASB 18- Presentation and Disclosure in Financial Statements (effective 1 January 2027)

AASB 18 aims to improve how entities communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. AASB 18 is accompanied by limited amendments to the requirements in AASB 107 Statement of Cash Flows. AASB 18 is effective from 1 January 2027 and applied fully retrospectively. Entities are permitted to apply AASB 18 before that date.

AASB 18 replaces AASB 1 - Presentation of Financial Statements. The requirements in AASB 1 that are unchanged have been transferred to AASB 18 and other standards. There are 3 main areas of changes:

- requiring additional defined subtotals in the statement of profit or loss, which makes entities' financial performance easier to compare and provides a consistent starting point for investors' analysis;
- requiring disclosures about management-defined performance measures, which increases discipline over use and transparency about their calculation; and
- adding new principles for grouping (aggregation and disaggregation) of information, which improves effective communication of information.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Amendments to IAS 108: Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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.

The amendments had no impact on the Group's consolidated financial statements.

(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.

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.

Adveritas Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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:

	Method	Useful Lives
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. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. 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).

(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) 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.

(k) 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.

Adveritas Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue from contracts with customers

The Group is 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 service contract may stipulate payment on a monthly basis over the term of the contract, in which case the normal credit term is 30 to 60 days upon delivery of the service. Alternatively, the service contract may stipulate payment of the full contract value at the commencement of the contract, in which case the normal credit terms is 15 to 30 days upon commencement 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 fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed 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(q)) 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. 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.

(m) 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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(l).

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.

Adveritas Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Assets (continued)

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

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.

Adveritas Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

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 loan notes had an initial maturity date of 12 April 2024 which was extended to 12 April 2025 during the current financial year. On maturity, the principal and the interest capitalised to 12 April 2024 will be automatically converted into fully paid ordinary shares in the Company. However, the Company may elect to redeem all or some of the convertible notes 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. Interest capitalised over the period 13 April 2024 to 12 April 2025 will be settled in cash.

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.

(s) 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 17.

The cost of equity-settled transactions is recognised in the share-based payments expense, 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payments (continued)

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.

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 23).

(t) 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.

(u) 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:

Adveritas Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

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. Where a service contract includes a usage allowance relating to the volume of advertising spend or transactions to be processed on behalf of the client, revenue from that service contract is recognized over the shorter of the term of the contract and the consumption of the usage allowance.
- 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 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.

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 17.

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 \$51,447,277 of tax losses carried forward (2023: \$42,606,494). 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

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.

(v) 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 2024, the Group incurred a net loss after tax of \$11,594,985 (2023: net loss after tax of \$10,918,030) and a net cash outflow from operating activities of \$9,215,319 (2023: net cash outflow from operating activities of \$11,260,817). The cash and cash equivalents balance at 30 June 2024 was \$4,285,814 (2023: \$6,339,205). The Group's net current liability position at 30 June 2024 was \$1,128,359 (2023: net current asset position of \$2,647,240). Included in the Group's net current liabilities is a convertible loan note derivative asset with a carrying value of \$879,444 (2023: \$1,299,000), and a convertible loan note liability of \$4,259,858 (2023: \$3,721,108). The convertible loan notes mature in April 2025, at which point the balance 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 settlement of the convertible loan note liability other than the payment of interest amount of approximately \$288,822. The Group's net current assets at 30 June 2024 excluding the asset and liability relating to the convertible loan notes is \$2,252,055 (2023: \$5,069,348).

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 revenue 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.

(w) 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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.

Segment results for the year ended 30 June 2024

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	-	4,156,993	-	4,156,993
Other income	773,121	6,070	242,956	1,022,147
Expenses	(6,154,968)	(5,246,121)	(4,489,069)	(15,890,158)
Loss before interest, depreciation and tax	(5,381,847)	(1,083,058)	(4,246,113)	(10,711,018)
Interest income	-	-	87,030	87,030
Interest expense	(12,587)	-	(773,285)	(785,872)
Depreciation	(102,570)	(13,688)	(57,856)	(174,114)
Income tax expense	(9,599)	(1,412)	-	(11,011)
Loss after income tax	(5,506,603)	(1,098,158)	(4,990,224)	(11,594,985)

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)
Loss before interest, depreciation and tax	(3,562,604)	(3,789,403)	(2,619,705)	(9,971,712)
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)
Loss after income tax	(3,697,763)	(3,809,016)	(3,411,251)	(10,918,030)

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

3. **SEGMENT INFORMATION (continued)**

Segment assets and liabilities at 30 June 2024

	Product & Engineering	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
Assets	991,470	1,489,075	4,505,504	6,986,049
Liabilities	838,612	2,409,730	4,858,966	8,107,308

Segment assets and liabilities at 30 June 2023

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

Geographic information

	Consolidated	
	2024	2023
	\$	\$
Revenue from external customers by customer location:		
Australia	474,466	364,529
Foreign countries (refer to note 4.1.for further details)	3,682,527	2,584,699
Total	4,156,993	2,949,228

Included in revenue from foreign countries is revenue arising from sales shown in the sales and marketing segment from one customer which amounted to \$300,430 (2023: \$188,690).

	Consolidated	
	2024	2023
	\$	\$
Non-current operating assets by location		
Australia	224,410	373,682
Europe	4,292	13,713
Asia Pacific	2,798	15,170
Other	374	375
Total	231,874	402,940

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

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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:

	Consolidated	
	2024	2023
	\$	\$
Revenue by type of goods or services		
Revenue from the sale of software as a service	4,156,993	2,949,228
Total revenue from contracts with customers	4,156,993	2,949,228
Revenue by timing of revenue recognition		
Services transferred over time	4,156,993	2,949,228
Total revenue from contracts with customers	4,156,993	2,949,228
Revenue by geographical region		
North America	504,261	296,907
Latin America	37,557	128,642
Asia Pacific	623,536	800,636
Australia	474,466	364,529
Europe	2,300,265	1,232,066
Other	216,908	126,448
Total revenue from contracts with customers	4,156,993	2,949,228

For personal use only

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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	
	2024	2023
	\$	\$
(a) Other income		
Research and development grant ¹	773,121	1,979,591
Gain on modification of convertible loan notes	221,429	-
Gain on modification of convertible loan note derivative	314,000	-
Reversal of expected credit loss (non-trade debtors)	-	53,011
Miscellaneous income	27,597	33,964
	1,336,147	2,066,566
(b) Employment costs		
Salaries and wages ²	9,397,903	8,989,544
Ancillary employment costs	1,034,489	1,475,193
Recruitment fees	41,751	650,928
	10,474,143	11,115,665
(c) Marketing costs		
Advertising and marketing materials	701,556	474,595
Public relations	182,950	773,907
Travel, entertainment, trade shows and events	785,284	486,613
	1,669,790	1,735,115
(d) Administration costs		
IT costs	271,652	451,737
Office and general administration costs	293,972	318,567
Corporate travel	135,927	249,071
	701,551	1,019,375
(e) Compliance costs		
Accounting fees	32,045	22,768
ASX compliance fees	142,232	167,234
Audit and tax compliance fees	174,263	168,461
Regulatory body fees	8,461	8,506
	357,001	366,969
(f) Consultancy costs		
Legal fees / (accrual reversal)	93,662	(261,084)
Investor relations	72,894	61,263
Other	82,060	295,403
	248,616	95,582
(g) Expected credit losses and bad debt expense		
Trade receivables written off as a bad debt	59,813	15,055
Expected credit losses: trade debtors	42,266	51,466
	102,079	66,521

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

5. OTHER INCOME AND OVERHEADS (continued)

	Consolidated	
	2024	2023
(h) Depreciation		
Depreciation of property, plant and equipment	73,060	82,724
Depreciation of right-of-use asset	101,054	101,054
	174,114	183,778
(i) Finance costs		
Interest expense on lease liabilities (Note 10)	25,688	34,061
Convertible loan notes (Note 14)		
- interest capitalised in accordance with loan note instrument	272,202	250,765
- amortisation of conversion premium	487,977	514,361
Other	5	23
	785,872	799,210

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 FY23 research and development activities was received in the current year and the grant income for FY21 and FY22 research and development activities was received in prior year.
2. Refer to Note 24 for further details on director and executive remuneration.

6. INCOME TAX EXPENSE

	Consolidated	
	2024	2023
	\$	\$
Major components of income tax expense for the year are:		
<i>Current income tax</i>		
Current income tax charge	11,011	6,728
Under / (over) provision of income tax liability in prior year	-	3,313
<i>Deferred income tax</i>		
Deferred income tax charge relating to origination and reversal of temporary differences	-	-
Income tax expense reported in income statement	11,011	10,041
Current income tax liability	(11,011)	(6,728)
(Under) / over provision of income tax liability in prior year	-	(3,313)
Amount offset against income tax refund receivable	7,300	9,640
Income tax payable reported in statement of financial position	(3,711)	(401)

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 2024

6. INCOME TAX EXPENSE (continued)

	Consolidated	
	2024	2023
	\$	\$
Accounting loss before tax	(11,583,974)	(10,907,989)
Income tax benefit at the statutory income tax rate of 25% (2023: 25%)	(2,895,993)	(2,726,998)
Adjusted for:		
Under/(over) provision for income tax in a prior year	-	3,313
Non-deductible/(non-assessable) share-based payments expense/ (reversal)	96,926	(127,097)
Other non-deductible expenses	146,474	139,962
Non-assessable grant income	(193,280)	(494,898)
Non-deductible/(non-assessable) fair value loss/(gain) on convertible loan note derivative	183,389	(117,750)
Non-assessable gain on modification of convertible loan notes	(55,357)	-
Non-assessable gain on modification of convertible loan note derivative	(78,500)	-
Tax losses utilised	-	(17,383)
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(23,381)	(4,288)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: \$2,827,515 (FY23: \$3,365,695, Singaporean tax: \$22,343 (FY23: \$25,062) USA tax: \$1,008 (FY23: \$732) Croatian tax: \$111CR (FY23: \$13CR) UK tax: \$18,907CR (FY23: \$11,532CR) Brazilian tax: \$3,315CR (FY23: \$11,961))	2,830,733	3,355,180
	<u>11,011</u>	<u>10,041</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	
	2024	2023
	\$	\$
Revenue losses	51,447,277	42,606,494
Capital losses	342,174	362,494
Temporary differences	3,399,168	3,838,199
	<u>55,168,619</u>	<u>46,807,187</u>
Unrecognised deferred tax assets at 25% (2023: 25%)	<u>13,797,155</u>	11,701,797

Tax losses do not expire under current Australian legislation. Tax losses relating to foreign jurisdictions amount to \$1,390,213 (2023: \$1,388,191).

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 2024 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 2024

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	
	2024	2023
	\$	\$
Cash at bank, on hand and in electronic money accounts	4,285,814	6,339,205

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	
	2024	2023
	\$	\$
Net loss	(11,594,985)	(10,918,030)
<i>Adjustments for non-cash items:</i>		
(Loss)/ profit on disposal of plant and equipment	2,653	(62)
Depreciation	174,114	183,778
Share based payments expense / (reversal) (refer to Note 17)	387,705	(508,388)
Fair value loss / (gain) on convertible loan note derivative (refer to Note 14)	733,556	(471,000)
Interest on convertible loan notes (refer to Note 14)	760,179	765,126
Gain on modification of convertible loan note derivative (refer to Note 14)	(314,000)	-
Gain on modification of convertible loan notes (refer to Note 14)	(221,429)	-
Unrealised foreign exchange (gains) / losses	(2,590)	9,828
Expected credit loss: trade receivables	42,266	51,466
Reversal of expected credit loss: deferred consideration	-	(53,011)
<i>Changes in assets and liabilities:</i>		
Increase in trade receivables ¹	(978,569)	(122,814)
(Increase) / decrease in other receivables	(25,525)	8,607
Decrease / (increase) in prepayments	302,548	(196,675)
Decrease in trade and other payables ¹	(366,694)	(231,028)
Increase in deferred revenue	2,061,725	81,081
(Decrease) increase in provision for employee entitlements	(179,583)	139,904
Increase in provision for income tax	3,310	401
Net cash used in operating activities	(9,215,319)	(11,260,817)

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 2024

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2024	2023
	\$	\$
CURRENT		
Trade receivables (a)	1,502,175	529,207
Allowance for expected credit losses (b)	(152,593)	(110,326)
Net trade receivables	1,349,582	418,881
Income tax refund receivable	-	2,559
Sundry receivables	39,469	28,173
Deposits	42,230	48,694
GST receivables	24,945	8,157
Other receivables	106,644	87,583
	1,456,226	506,464

(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(l) and 2(q).

(b) Allowance for expected credit losses

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

	Consolidated	
	2024	2023
	\$	\$
Allowance for expected credit losses: trade receivables		
Balance at 1 July	110,326	58,861
Reversal of expected credit losses recognised in prior year	(72,646)	-
Allowance for expected credit losses recognised in current year	114,913	51,465
Impact of movement in foreign exchange rate	-	-
Balance at 30 June	152,593	110,326

(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 19.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

9. PLANT AND EQUIPMENT

	Consolidated: 2024			
	Leasehold improvements \$	Computer Equipment \$	Office Equipment \$	Total \$
Cost	81,467	265,408	52,295	399,170
Accumulated depreciation	(80,853)	(243,720)	(44,830)	(369,403)
Carrying amount at 30 June 2024	<u>614</u>	<u>21,688</u>	<u>7,465</u>	<u>29,767</u>
Reconciliation				
Carrying amount at 1 July 2023	829	69,692	29,258	99,779
Additions	-	8,959	-	8,959
Disposals	-	(4,367)	(1,713)	(6,080)
Impact of foreign exchange	-	-	169	169
Depreciation	(215)	(52,596)	(20,249)	(73,060)
Carrying amount at 30 June 2024	<u>614</u>	<u>21,688</u>	<u>7,465</u>	<u>29,767</u>
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	<u>829</u>	<u>69,692</u>	<u>29,258</u>	<u>99,779</u>
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
Depreciations	(214)	(61,040)	(21,470)	(82,724)
Carrying amount at 30 June 2023	<u>829</u>	<u>69,692</u>	<u>29,258</u>	<u>99,779</u>

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

For personal use only

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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:

	Consolidated	
	2024	2023
	\$	\$
Office Premises		
Opening balance	303,161	404,215
Depreciation expense	(101,054)	(101,054)
Closing balance	<u>202,107</u>	<u>303,161</u>

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

	Consolidated	
	2024	2023
	\$	\$
Lease Liabilities		
Opening balance	390,279	486,371
Interest expense	25,688	34,061
Lease payments	(133,142)	(130,153)
Closing balance	<u>282,825</u>	<u>390,279</u>
Current lease liabilities	146,398	130,956
Non-current lease liabilities	<u>136,427</u>	<u>259,323</u>
	<u>282,825</u>	<u>390,279</u>

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

	Consolidated	
	2024	2023
	\$	\$
Right-of-use-assets		
Depreciation of right-of-use-assets	101,054	101,054
Interest expense on lease liabilities associated with right-of-use-assets	25,688	34,061
Short term or low value asset leases		
<i>Included in occupancy costs</i>		
Rent expense - short-term lease	146,493	163,847
<i>Included in administration costs</i>		
Rent expense - low-value assets	-	187
Total amount recognised in profit or loss	<u>273,235</u>	<u>229,149</u>

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

10. RIGHT OF USE ASSETS (continued)

The Group had total cash outflows for right of use and short term leases of \$279,636 in the current year (2023: \$294,000).

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

	Consolidated	
	2024	2023
	\$	\$
Trade payables	418,467	587,707
Statutory employment related liabilities	225,125	328,408
Accrued expenses	35,869	201,438
Accrued audit fee	75,000	77,000
Other payables	42,013	65,364
	796,474	1,259,917

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. DEFERRED REVENUE

	Consolidated	
	2024	2023
	\$	\$
Revenue received in advance from customers	2,127,607	65,882

Set out below are the movements in deferred revenue recognised during the year:

	Consolidated	
	2024	2023
	\$	\$
Opening balance	65,882	146,963
Contract revenue invoiced in advance of the services being performed	3,309,905	182,010
Contract revenue recognised in profit or loss on performance of the services	(1,248,180)	(263,091)
Closing balance	2,127,607	65,882

Deferred revenue balances are usually settled within 12 months of receipt and are recognised as revenue when the Group performs under the contract.

The carrying amount of deferred revenue is assumed to be the same as its fair value, due to its short-term nature.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

13. PROVISIONS

	Consolidated	
	2024	2023
	\$	\$
CURRENT		
Employee benefits	<u>548,487</u>	<u>754,404</u>
NON-CURRENT		
Employee benefits	<u>88,346</u>	<u>62,012</u>

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.

14. CONVERTIBLE LOAN NOTE

In April 2022, the Group issued 3,000,000 convertible notes each with a face value of \$1 to raise \$3,000,000. The loan notes had an initial maturity date of 12 April 2024 which was extended to 12 April 2025 during the current financial year. The extension of the maturity date has been accounted for as an extinguishment of the original convertible loan note liability and associated convertible loan note derivative, and the recognition of a new convertible loan note liability and convertible loan note derivative.

On the revised maturity date of 12 April 2025, the principal and the interest capitalised to the initial maturity date of 12 April 2024 will be automatically converted into fully paid ordinary shares in the Company. The interest capitalised over the period 13 April 2024 to 12 April 2025 will be settled in cash.

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.

On maturity, where the convertible notes are converted into ordinary shares, the accrued interest up to 12 April 2024 will be fully satisfied through the issue of conversion shares at the conversion price whilst the interest accrued from 12 April 2024 up to 12 April 2025 will be satisfied by way of a cash payment.

Where the convertible notes are redeemed prior to their maturity date, 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 interest to the initial maturity date of 12 April 2024, 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 was initially recognised at fair value and is adjusted at each reporting date to reflect the carrying amount of the convertible debt, with subsequent changes to the fair value being recognised in the consolidated statement of profit or loss. The extension of the initial maturity date of the underlying convertible loan notes from 12 April 2024 to 12 April 2025 resulted in a gain of \$314,000 being recognised in the consolidated statement of profit or loss.

For personal use only

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

14. CONVERTIBLE LOAN NOTE (continued)

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

	Consolidated	
	2024	2023
	\$	\$
Carrying amount at beginning of year	1,299,000	828,000
Gain on modification of convertible loan note derivative	314,000	-
Fair value (loss) / gain recognised in the year	(733,556)	471,000
Carrying amount at end of year	879,444	1,299,000
The balance is spilt as follows:		
Current portion	879,444	1,299,000
Non-current portion	-	-
	879,444	1,299,000

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.

On initial recognition of the convertible loan note liability, the Group determined the effective interest rate to be 21.3%. The difference between the effective interest rate and the interest rate specified in the convertible loan note agreements is recognised at each reporting date as the amortisation of the conversion premium. During the current year, the Group determined that the convertible loan note had been modified as a result of the extension of the maturity date, and a gain on modification of convertible loan notes of \$221,429 has been recognised in the consolidated statement of profit or loss.

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

	Consolidated	
	2024	2023
	\$	\$
Carrying amount at beginning of year	(3,721,108)	(2,955,982)
Interest capitalised in accordance with the convertible loan note instruments	(272,202)	(250,765)
Amortisation of conversion premium	(487,977)	(514,361)
Gain on modification of convertible loan notes	221,429	-
Carrying amount at end of year	(4,259,858)	(3,721,108)
The balance is spilt as follows:		
Current portion	(4,259,858)	(3,721,108)
Non-current portion	-	-
	(4,259,858)	(3,721,108)

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

14. CONVERTIBLE LOAN NOTE (continued)

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

	Consolidated	
	2024	2023
	\$	\$
Other income		
Fair value (loss) / gain on convertible loan note derivative	(733,556)	471,000
Gain on modification of convertible loan note derivative	314,000	-
Gain on modification of convertible loan notes	221,429	-
Finance costs		
Interest recognised in accordance with the convertible loan note instruments	(272,202)	(250,765)
Amortisation of conversion premium	(487,977)	(514,361)
	<u>(760,179)</u>	<u>(765,126)</u>
Total amount recognised in profit or loss	<u>(958,306)</u>	<u>(294,126)</u>

15. CONTRIBUTED EQUITY

(a) Issued capital

	Consolidated	
	2024	2023
	\$	\$
Ordinary shares, fully paid	<u>72,165,390</u>	64,658,338

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

	2024		2023	
	Number	\$	Number	\$
Shares on issue at 1 July	647,430,784	64,658,338	445,108,505	52,169,702
Shares issued on exercise of performance rights	1,700,000	127,387	-	-
Shares issued pursuant to a placement at the following prices:				
at \$0.048 per share ¹	14,583,334	700,000	-	-
at \$0.05 per share ¹	50,000,000	2,500,000	-	-
at \$0.06 per share ¹	75,000,000	4,500,000	-	-
at \$0.10 per share ¹	-	-	25,000,000	2,500,000
at \$0.085 per share ¹	-	-	47,176,471	4,010,000
at \$0.10 per share ¹	-	-	5,000,000	500,000
at \$0.048 per share ¹	-	-	76,021,640	3,649,039
at \$0.048 per share ¹	-	-	5,354,155	257,000
at \$0.048 per share ¹	-	-	43,770,013	2,100,961
Share issue costs (c)	-	(320,335)	-	(528,364)
Shares on issue at 30 June	<u>788,714,118</u>	<u>72,165,390</u>	<u>647,430,784</u>	<u>64,658,338</u>

Notes:

1. Placements were made to sophisticated and professional investors.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

15. CONTRIBUTED EQUITY

(c) Share issue costs

Share issue costs are made up as follows:

	Consolidated	
	2024	2023
	\$	\$
Share issue costs paid during the year	(303,312)	(315,229)
Share issue costs included in trade and other payables at balance date	(17,023)	(213,135)
	<u>(320,335)</u>	<u>(528,364)</u>

(d) 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 2024 and 30 June 2023.

	Consolidated	
	2024	2023
	\$	\$
Trade and other payables (Note 11)	796,474	1,259,917
Deferred revenue (Note 12)	2,127,607	65,882
Lease liabilities (Note 10)	282,825	390,279
Convertible loan note liability (Note 14)	4,259,858	3,271,109
	<u>7,466,764</u>	<u>4,987,186</u>
Less: cash and cash equivalents (Note 7)	(4,285,814)	(6,339,205)
Net (Debt) / Capital	<u>3,180,950</u>	<u>(1,352,019)</u>
Equity	<u>72,165,390</u>	<u>64,658,338</u>
Total Capital	<u>72,165,390</u>	<u>64,658,338</u>
Capital and net debt	75,346,340	63,306,319
Net gearing ratio	4.2%	(2.1%)

16. RESERVES

	Consolidated	
	2024	2023
	\$	\$
Foreign currency translation reserve	<u>15,004</u>	<u>37,493</u>
Share based payments reserve	<u>4,862,744</u>	<u>4,602,426</u>
Foreign currency translation reserve		
Balance at beginning of year	37,493	31,251
Foreign exchange differences arising on translation of foreign operations	(22,489)	6,242
Balance at end of year	<u>15,004</u>	<u>37,493</u>
Share based payments reserve		
Balance at beginning of year	4,602,426	5,110,814
Fair value of Class U Performance Rights lapsed	-	(814,358)
Fair value of Class V Performance Rights recognised	120,364	155,222
Fair value of Class W Performance Rights recognised	34,724	33,882
Fair value of Class X Performance Rights recognised	34,158	46,197
Fair value of Class Y Performance Rights recognised	-	9,580
Fair value of Class Z Performance Rights recognised	198,459	61,089
Fair value of Class W Performance Rights converted into ordinary shares	(37,452)	-
Fair value of Class X Performance Rights converted into ordinary shares	(80,355)	-
Fair value of Class Y Performance Rights converted into ordinary shares	(9,580)	-
Balance at end of year	<u>4,862,744</u>	<u>4,602,426</u>

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

16. 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.

17. SHARE BASED PAYMENTS

The share-based payments expense comprises the fair value of equity incentives at grant date recognised over their vesting periods:

	2024		2023	
	Number granted	\$	Number granted	\$
Lapsing of performance rights (class U)	-	-	-	(814,358)
Performance rights class V	-	120,364	4,000,000	155,222
Performance rights class W	-	34,724	1,000,000	33,882
Performance rights class X	-	34,158	1,000,000	46,197
Performance rights class Y	-	-	200,000	9,580
Performance rights class Z	-	198,459	5,000,000	61,089
		<u>387,705</u>		<u>(508,388)</u>

(a) Options

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

	2024	2023
	Number	Number
Opening balance	5,000,000	6,500,000
Expired during the year	(5,000,000)	(1,500,000)
Closing balance	<u>-</u>	<u>5,000,000</u>

No options were granted during the current year (2023: nil).

There were no option outstanding at 30 June 2024 (2023: 5,000,000) The weighted average remaining contractual life for options outstanding at 30 June 2023 0.01 years and the exercise price for options outstanding at 30 June 2023 was \$0.15.

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 2024

17. SHARE BASED PAYMENTS (continued)

(b) Performance Rights

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

	Opening balance at 1 July 2023	Vested during the year	Granted during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance at 30 June 2024
Class V	4,000,000	2,000,000	-	-	-	4,000,000
Class W	1,000,000	500,000	-	(500,000)	-	500,000
Class X	1,000,000	1,000,000	-	(1,000,000)	-	-
Class Y	200,000	-	-	(200,000)	-	-
Class Z	5,000,000	2,500,000	-	-	-	5,000,000
	11,200,000	6,000,000	-	(1,700,000)	-	9,500,000

The vesting conditions of the performance rights on issue at 30 June 2024 are set out below:

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

No performance rights were granted during the current year (2023: 11,200,000).

The performance rights issued in prior year were valued at grant date at \$768,977 using the Black-Scholes model which took into account the following information and assumptions:

Class	Date vesting condition 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%

The fair value at grant date is recognised as an expense over the vesting period. The expense recognised in the current year in relation to performance rights granted in the prior year was \$387,705.

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

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

18. ACCUMULATED LOSSES

	Consolidated	
	2024	2023
	\$	\$
Accumulated losses at the beginning of financial year	(66,569,412)	(55,651,382)
Net loss for the year	(11,594,985)	(10,918,030)
Accumulated losses at the end of financial year	<u>(78,164,397)</u>	<u>(66,569,412)</u>

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Consolidated	
	2024	2023
	\$	\$
Financial assets at amortised cost		
Trade and other receivables (Note 8)	1,456,226	506,464
Financial asset at fair value through profit or loss		
Convertible loan note derivative (Note 14)	879,444	1,299,000
Total financial assets (other than cash and cash equivalents)	<u>2,335,670</u>	<u>1,805,464</u>
Total current	2,335,670	1,805,464
Total non-current	-	-
	<u>2,335,670</u>	<u>1,805,464</u>

(b) Financial liabilities

	Consolidated	
	2024	2023
	\$	\$
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	418,467	587,707
Deferred revenue (Note 12)	2,127,607	65,882
Interest bearing liabilities		
Lease liabilities (Note 10)	282,825	390,279
Convertible loan note liability (Note 14)	4,259,858	3,721,108
Total financial liabilities	<u>7,088,757</u>	<u>4,764,976</u>
Total current	6,952,330	4,505,653
Total non-current	136,427	259,323
	<u>7,088,757</u>	<u>4,764,976</u>

(c) Financial instruments risk management objectives and policies

The Group's principal financial assets comprise trade and other receivables, cash and cash equivalents and short-term deposits derived directly from its operations. The Group has recognised a derivative attached to the convertible loan notes issued in the 2022 financial year. The fair value of the convertible loan note derivative has been assessed as \$879,444 at 30 June 2024 (2023: \$1,299,000).

The Group's principal financial liabilities comprise trade and other payables, deferred revenue, 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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 material financial instruments denominated in a foreign currency held by the Group are cash and cash equivalents and certain trade receivables and trade payables denominated in United States Dollars (USD) and Great British Pounds (GBP).

(i) USD

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

	Consolidated	
	2024	2023
	\$	\$
Cash and cash equivalents	109,711	600,710
Trade receivables	416,098	161,283
Trade payables	(215,164)	(50,802)
Net exposure	310,645	711,191

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.

	Effect on loss before tax (Higher)/Lower		Effect on pre-tax equity Higher/(Lower)	
	2024	2023	2024	2023
	\$	\$	\$	\$
+11%	51,685	94,376	51,685	94,376
-11%	(51,685)	(94,376)	(51,685)	(94,376)

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

(ii) GBP

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

	Consolidated	
	2024	2023
	\$	\$
Cash and cash equivalents	430,936	62,545
Trade receivables	868,045	95,437
Trade payables	(37,717)	(49,405)
Net exposure	1,261,264	108,577

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 / GBP exchange rates, with all other variables held constant.

	Effect on loss before tax (Higher)/Lower		Effect on pre-tax equity Higher/(Lower)	
	2024	2023	2024	2023
	\$	\$	\$	\$
+11%	134,810	23,723	134,810	23,723
-11%	(134,810)	(23,723)	(134,810)	(23,723)

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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

Credit risk (continued)

i. Trade receivables and contract assets (continued)

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

30 June 2024	Total \$	Current \$	Days past due		
			30-60 days \$	61-90 days \$	> 90 days \$
Total gross carrying amount	1,502,175	1,309,095	58,930	25,686	108,464
Expected credit loss rate		1%	22%	65%	99%
Expected credit loss	(152,593)	(15,881)	(13,070)	(16,637)	(107,005)
Net carrying amount	1,349,582	1,293,214	45,860	9,049	1,459

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

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

	Consolidated	
	2024	2023
	\$	\$
North America	203,501	33,216
Latin America	11,019	3,143
Asia Pacific	34,349	79,550
Europe	952,994	214,818
Australia	61,158	51,311
Middle East	47,728	16,429
Other	38,833	20,414
	1,349,582	418,881

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

	Consolidated	
	2024	2023
End-user customers	1,349,582	418,881

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

Credit risk (continued)

ii. Cash and cash equivalents

The Group held cash and cash equivalents of \$4,285,814 at 30 June 2024 (2023: \$6,339,205). 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.

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 2024	Carrying amount \$	Contractual cash flows				
		Total \$	12 months or less \$	1-2 years \$	2-5 years \$	5-10 years \$
Non-derivative financial liabilities						
Trade payables	418,467	418,467	418,467	-	-	-
Lease liabilities	282,825	281,695	139,262	142,433	-	-
Convertible loan notes ¹	4,259,858	4,259,858	4,259,858	-	-	-
	4,961,150	4,960,020	4,817,587	142,433	-	-

- The convertible loan notes principal and accrued interest up to 12 April 2024 automatically convert into equity on 12 April 2025. The Company has no intention of redeeming this balance by way of a cash settlement. The interest accrued from 12 April 2024 to 12 April 2025 will be settled in cash. Refer to Note 14 for further details.

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

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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.

20. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments – Group as lessee

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

	Consolidated	
	2024	2023
	\$	\$
Within one year	6,674	12,993
After one year but not more than five years	-	-
More than five years	-	-
	6,674	12,993

(b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (2023: nil).

(c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (2023: nil).

For personal use only

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

21. 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.

	<i>Country of incorporation</i>	<i>% Equity interest</i>	
		2024	2023
Livelynk Group Pty Ltd ¹	Australia	100	100
TrafficGuard Pty Ltd ²	Australia	100	100
TrafficGuard APAC Pte Ltd ²	Singapore	100	100
TrafficGuard US Inc ²	United States	100	100
Appenture d.o.o. ²	Croatia	100	100
TrafficGuard UK Ltd ²	United Kingdom	100	100
TrafficGuard LATAM LTDA ²	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 prior year 13811 Advisory Pte Ltd, a company controlled by Mr Stott, provided consultancy services to the Group. 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.

There were no transactions with related parties during the current year.

c) Guarantees

None of the entities within the Group are guarantors.

22. AUDITORS' REMUNERATION

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

	Consolidated	
	2024	2023
	\$	\$
Audit or review of the consolidated financial report	118,725	102,125
Tax compliance services provided	25,000	38,000
	143,725	140,125

23. 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.

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

23. LOSS PER SHARE (continued)

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

	2024	2023
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	698,472,679	488,964,285
Weighted average number of ordinary shares used in the calculation of diluted loss per share	698,472,679	488,964,285
	\$	\$
Loss attributable to ordinary equity holders of Adveritas Limited for basic and diluted loss	(11,594,985)	(10,918,030)
	Cents	Cents
Basic earnings loss per share	(1.66)	(2.23)
Diluted loss per share	(1.66)	(2.23)

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 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:

- Performance rights (9,500,000 on issue at 30 June 2024); and
- Convertible loan notes (number of shares to be issued is dependent on the share price at maturity, 12 April 2025).

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.

24. DIRECTORS AND EXECUTIVE DISCLOSURE

Compensation of Key Management Personnel

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	2,186,671	2,230,545
Post-employment benefits	98,502	97,365
Other long-term benefits	1,921	25,903
Share based payments	353,547	(564,164)
	2,640,641	1,789,649

Adveritas Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2024

25. 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 2024	As at 30 June 2023
	\$	\$
Financial Position		
Assets		
Current assets	4,557,531	6,816,604
Non-current assets	3,098	7,262
Total assets	<u>4,560,629</u>	<u>6,823,867</u>
Liabilities		
Current liabilities	4,660,395	4,605,222
Non-current liabilities	49,628	37,939
Total liabilities	<u>4,710,023</u>	<u>4,643,161</u>
Net (liabilities) / assets	<u>(149,394)</u>	<u>2,180,706</u>
Equity		
Contributed equity	68,933,288	61,426,236
Share based payment reserve	3,548,597	3,288,280
Accumulated losses	(72,631,279)	(62,533,810)
Total (deficit) / equity	<u>(149,394)</u>	<u>2,180,706</u>
Financial Performance		
Loss for the year	(10,097,470)	(10,157,938)
Other comprehensive income	-	-
Total comprehensive loss	<u>(10,097,470)</u>	<u>(10,157,938)</u>

26. EVENTS AFTER BALANCE SHEET DATE

On 2 July 2024, payments from customers amounting to approximately \$750,000 were received in respect of contracts entered into prior to 30 June 2024. No other event has arisen since 30 June 2024 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 Consolidated Entity Disclosure Statement

As at 30 June 2024

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Adveritas Limited	Body Corporate	Australia		Australia
Controlled entities of Adveritas Limited:				
Livelynk Group Pty Ltd	Body corporate	Australia	100	Australia
TrafficGuard Pty Ltd	Body corporate	Australia	100	Australia
TrafficGuard APAC Pte Ltd	Body corporate	Singapore	100	Singapore
TrafficGuard US Inc	Body corporate	United States	100	United Sates
Appenture d.o.o	Body corporate	Croatia	100	Croatia
TrafficGuard UK Ltd	Body corporate	United Kingdom	100	United Kingdom
TrafficGuard LATAM LTDA	Body corporate	Brazil	100	Brazil

For personal use only

Adveritas Limited Directors' Declaration

In the directors' opinion:

- (a) The consolidated financial statements and notes of Adveritas Limited set out on pages 24 to 65 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 2024 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(v), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) The consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act* is true and correct.

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 2024.

On behalf of the board



Mathew Ratty
Managing Director and Chief Executive Officer

Perth, Western Australia
Dated 28 August 2024



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2024, 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 financial statements, including material accounting policy information, the consolidated entity disclosure statement 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 2024 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(v) 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.

For personal use only

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 this matter. 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 convertible notes

Why significant

As disclosed in Note 14 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 had a maturity date of 12 April 2024. During the current financial year, the maturity date was extended to 12 April 2025.

In accordance with Australian Accounting Standards, upon initial recognition in 2022, the Group recognised two separate financial instruments; a convertible note liability and a derivative financial liability.

In accordance with Australian Accounting Standards, the amendment of the maturity date of the convertible note agreements during the current finance year was assessed as a significant modification. Accordingly, the Group derecognised the existing convertible note liability and derivative financial instrument, and recognised a new convertible note liability and derivative financial instrument at their respective fair values. A gain of \$535,429 was recognised in the consolidated statement of profit or loss for the year ended 30 June 2024.

The convertible note liability was subsequently measured at amortised cost and the derivative financial instrument was subsequently measured at fair value.

At 30 June 2024 the convertible note liability and derivative financial instrument were carried at \$4,259,859 and \$879,444 (derivative asset) respectively.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ 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 and the amendments during the year.
- ▶ For the fair value of the convertible note liability at the modification date, we engaged our banking and capital markets specialists to determine our own point estimate based on the appropriate valuation techniques and compared the results to management's calculation.
- ▶ 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.
- ▶ Assessed the adequacy of the presentation and disclosures in Note 14 of the financial report.



**Building a better
working world**

The remeasurement of the derivative financial instruments during the year resulted in a fair value loss of \$733,556 being recognised in the consolidated statement of profit or loss.

Due to the inherent complexity and judgment required to value the derivative financial instrument and convertible loan note liability, including key inputs such as share price, risk free rate and expected volatility, and the market rate of debt, we considered the Group's accounting for convertible notes to be a key audit matter.

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 Company's 2024 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report and ASX additional information that are 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:

- a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;
- b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

For personal use only

- ii. The consolidated entity disclosure statement that is true and correct and is free of 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.



**Building a better
working world**

- ▶ 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 11 to 21 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Adveritas Limited for the year ended 30 June 2024, 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.

A stylized signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'M P Cunningham'.

Mark P Cunningham
Partner
Perth
28 August 2024

For personal use only