



YPB Group Ltd.
ABN 68 108 649 421
ASX code: YPB

GLOBAL LEADER IN ANTI COUNTERFEIT TECHNOLOGY
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ASX: YPB

ASX ANNOUNCEMENT

29 August 2014

Appendix 4E – Preliminary Final Report

Attached as required by the ASX and ASIC is the Appendix 4E Preliminary Final Report for the year ended 30 June 2014 for the company in pre-transaction form. As shareholders would be aware the entire YPB transaction occurred post 1 July 2014 and therefore the attached report reflects the structure of the AUV Enterprises corporate shell and not the YPB business.

The first reporting period that will include the new business will be for the six months ending 31 December 2014. As previously announced YPB is changing its year end to 31 December 2014.

Robert Whitton
Company Secretary

Appendix 4E

Preliminary final report

1. Company Details

Name of entity

YPB GROUP LIMITED

ABN or equivalent company reference

Financial year ended ("reporting period")

Financial year ended ("previous corresponding period")

108 649 421	30 June 2014	30 June 2013
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2. Results for announcement to the market

Key information	12 month ended 30 June 2014 \$'000	12 months ended 30 June 2013 \$'000	Increase /(decrease) %	Amount change \$'000
(Losses)/revenue from ordinary activities	6	-		6
Loss from ordinary activities after tax attributable to members	924	11,143	91.7%	10,219
Net loss for the period attributable to members	924	11,143	91.7%	10,219
Net tangible asset/(deficiency) per share	(\$0.0026)			

3. Consolidated statement of profit or loss and other comprehensive income

Refer to attached consolidated financial statements.

4. Consolidated statement of financial position

Refer to attached consolidated financial statements.

5. Consolidated statement of cash flows

Refer to attached consolidated financial statements.

6. Dividends/Distributions

No dividends declared in current or prior year.

7. Details of dividend reinvestment plan

N/A

+ See chapter 19 for defined terms.

Appendix 4E
Preliminary final report

8. Details of entities over which control has been gained or lost during the period

No such movements for the year.

9. Details of associates and joint venture entities

N/A

10. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position

Refer to attached consolidated financial statements.

11. Foreign entities

N/A

12. Commentary on results and explanatory information

The company did not trade during the period under review, its only activity was sourcing a new business.

Details of such transaction are included in the attached financial statements.

13. Audit

This report is based on accounts which are currently being audited.



Robert Whitton
Company Secretary
29 August 2014

⁺ See chapter 19 for defined terms.



AUV Enterprises Limited

ACN 108 649 421

**Annual Report
30 June 2014**

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Directors' Report

The directors present their report and the financial statements of AUV Enterprises Limited (the "Company") and its controlled entities (the "Consolidated Entity") for the financial year ended 30 June 2014.

1. Directors & Secretary

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

<i>Chairman & Non-Executive Director</i>	<i>Date Appointed</i>
Robert Whitton	2 August 2012
<i>Non-Executive Directors</i>	
Anthony Damianos	6 April 2004
Peter Dykes	2 August 2012

Mr Peter Dykes held the position of company secretary at the end of the 2014 financial year, although he resigned on 31 July 2014.

On 31 July 2014 Messer's Dykes and Damianos resigned in accordance with the resolution of shareholders at the meeting held 8 May 2014 the following Director and Officer appointments were made:

Executive Chairman and CEO
John Houston

Non-Executive Directors
Geoffrey Raby
Su (George) Su

Company Secretary
Robert Whitton

2. Principal Activities

The principal activity of the Company during the financial period was seeking investments.

3. Operating Results

The consolidated loss of the Consolidated Entity, after providing for income tax, amounted to \$924,000 for the financial period.

4. Significant Changes in State of Affairs

During the year under review the Company lodged all outstanding ASX and ASIC lodgments and held all outstanding shareholder meetings so that it was then fully compliant with the listing rules and in a position to undertake a transaction whereby it could finally be re-quoted on the ASX.

During the year the company issued 34,289,267 shares at \$0.02 per share to assist in paying the costs incurred to ensure the Company's re-compliance.

On 11 February 2014, AUV entered into a Loan Agreement (**Loan Agreement**) with J F Houston Holdings Pty Ltd (**J F Houston**), a company controlled by John Houston. Under the Loan Agreement, J F Houston has applied loan funds of up to \$255,000 to AUV to extinguish its debt and for the expenses associated with the Proposed Transaction.

Under the terms of the Loan Agreement:

- 1.1.1 AUV is obliged to apply the proceeds of the loaned amount to repay outstanding creditors of the Company and to pursue the completion of the Proposed Transaction and re-quotations of its Shares.
- 1.1.2 AUV is required to repay all loaned amounts by the later of:
 - 1.1.2.1 180 days after the date of the Loan Agreement; and
 - 1.1.2.2 7 Business days after the date of re-quotations of the AUV Shares on the ASX, or such other date as the AUV and J F Houston agree in writing. If AUV fails to repay the loan by this date, or the Directors consider that repayment of the loan amount would likely result in AUV suffering an insolvency event, then AUV is required to procure the issue and allotment of up to 22,359,550 fully paid ordinary AUV Shares (on a pre-consolidation basis) (or such other number of shares equal to 19.9% of the total number of AUV Shares on issue to JF Houston).
- 1.1.3 There is no interest payable on the loaned amounts provided that these amounts are repaid by the dates set out above. In the event that the Company has not repaid the full amount of the loan on or prior to the required repayment date, interest will accrue on the amount of the loan from the repayment date at a rate of 8% per annum. Interest will be payable monthly in arrears.

On 20 March 2014, the Company announced that it had entered into a share sale agreement (**Acquisition Agreement**) to acquire 100% of the issued capital in the capital of YPB Limited (**YPB**) (**YPB Acquisition**).

YPB is a private company registered in Hong Kong that has developed and owns proprietary technologies and products in the field of brand protection and anti-counterfeit authentication. YPB's primary business focus is in Asia, where the anti-counterfeiting packaging market size is large and growing rapidly. The Asian market is currently valued at approximately US\$14 billion and growing at a compound annual growth rate of 20%.

The YPB Acquisition resulted in a significant change in the nature and scale of the Company's activities from a mining investment company to development, manufacture and sale of brand protection and anti-counterfeit products. Accordingly, the Company required Shareholder approval under ASX Listing Rules 11.1.2 and 11.1.3 and it must re-comply with Chapters 1 and 2 of the ASX Listing Rules.

In this regard the Company proposed to:

- 1 consolidate the issued capital of the Company on a 1 for 10.9 basis before the YPB Acquisition is completed (**AUV Share Consolidation**);
- 2 complete the YPB Acquisition by acquiring all of the issued capital in the capital of YPB and, as consideration, issue AUV Shares to the security holders of YPB (**YPB Shareholders**), including requesting shareholder approval for the acquisition of a relevant interest by Bimm Corporation Pty Limited (ACN 120 009 798) as trustee for the FJ Fund (Bimm Corporation) (a company controlled by John Houston) in AUV Shares which will result in it having voting power in excess of 20%;
- 3 appoint John Houston, Su Su (George Su) and Dr Geoff Raby as Directors of the Company effective upon completion of the YPB Acquisition;
- 4 issue a prospectus to raise a minimum of \$3,000,000 and up to \$6,000,000 under a public offer (**Public Offer**) to fund the:
 - increase in YPB's sales and marketing activities, with emphasis on the business to business sector;

- ongoing research and development of YPB's brand protection and anti-counterfeit technologies and products, particularly the "app" product(s) suitable for the business to consumer sector;
 - repayment of debt;
 - costs of the Public Offer; and
 - working capital of the YPB business going forward
- 5 request Shareholder approval for Bimm Corporation to participate in the Public Offer and to increase its relevant interest in voting power in the Company in excess of 20%; and
- 6 change the name of the Company to YPB Group Limited.

In addition, the Company proposed to make amendments to its constitution to bring it up to date with the current provisions of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

In order to comply with the Corporations Act, the ASX Listing Rules and the Company's constitution, the proposals outlined above required the approval of AUV Shareholders. The Company's convened a General Meeting on 8 May 2014 where all resolutions put to members were passed by the requisite majority.

The Completion of the YPB Acquisition was conditional upon various conditions precedent, including the Public Offer.

The YPB Acquisition was successfully completed:

- the Company will acquired 100% of the shares in the capital of YPB;
- Peter Dykes and Anthony Damianos have resigned as Directors of the Company;
- the name of the Company changed from AUV Enterprises Limited to YPB Group Limited (there was also a corresponding change to the Company's ASX code to "YPB") ; and
- the proceeds from the Public Offer will be used to fund the activities set out in point 4 above which will ultimately allow the Company to expand its presence in Asia and facilitate refinements to its core technology platform.

5. Review of Operations

AUV did not trade during the period under review.

6. Financial Position

The deficiency in net assets of AUV were \$(228,000) at year ended 30 June 2014. This decrease was as a result of the reported net loss for the year.

7. Future Developments, Prospects and Business Strategies

The Company as detailed both above in Significant Changes in State of Affairs and below in Events Subsequent to Balance Date has completed the transaction whereby it acquired all of the issued capital of YPB Limited and was quoted on the ASX on 7 August 2014.

YPB Group (ASX:YPB) is an anti-counterfeiting technology company. It provides a unique, cost effective, invisible, indestructible anti-counterfeit solution that allows companies and governments to protect the value of their brands and minimise loss of earnings from counterfeiting. The Company is initially focused on the China and greater Asia markets. The YPB business is well established and has a number of substantial customer contracts in place and a strong new business pipeline.

YPB Group's core products include;

Forensic Tracers – These are hidden, invisible and indestructible particles fused into a product or packaging during or after the manufacture process. The Tracers can be used in all key product manufacturing and packaging industries including plastics, paper, inks, textiles and coatings. They cannot be seen or removed and are impossible to destroy or damage as they are part of the product. They consist of infrared, UV light energy and X-ray sensitive particles detectable by YPB's scanner technology.

YPB owns two patents over its Tracer products and is the only Company currently licensed in China to supply invisible tracers. YPB's Tracers are considerably cheaper than other alternative anti-counterfeit methods and technologies.

Scanner – YPB's proprietary scanner detects YPB's forensic Tracers and confirms the host product's authenticity. They are low cost and can be used at any point in the supply chain – from manufacture through to point-of-sale. Encryption is used on the scanners and software, and any attempt to reverse engineer triggers a self-destruct software code.

Smartphone App – A revolutionary new application to provide consumers the ability to authenticate a product as real or fake, via their mobile phone handset. Further R&D and development will see YPB's smartphone App launched in H2, 2014 and will initially target the massive China Smartphone App market. A patent application has been submitted for the Smartphone App and is Patent Pending through the PCT process. In addition to the App technology, YPB will also develop a web based solution in 2015 for China and Global release.

8. Dividends Paid

No dividends have been paid or been recommended for payment in respect of the financial year ended 30 June 2014.

9. Events Subsequent to Balance Date

The Company announced on 2 July 2014 that the 1 for 10.9 consolidation of the Company's shares approved at the 8 May 2014 General Meeting had been implemented.

On 11 July 2014 the Company advised the closure of its public offer, such offer raising in excess of \$3.7m at 20c per share. The Company also confirmed its change of name to YPB Group Limited and its new ASX code of YPB.

The Company on 21 July 2014 lodged an Appendix 3B wherein it disclosed the upcoming issuance of the following ordinary shares and options :-

- 74,250,000 shares to the YPB Limited vendors
- 187,500 shares to parties associated with the public issue broker
- 18,750,000 shares to subscribers under the public offer
- 750,000 options with an exercise price of 20c and an expiry of 31 October 2017 to parties associated with the public issue broker.

On 31 July 2014 Messrs Dykes and Damianos resigned as Directors and Messrs Houston, Raby and Su were appointed to the roles they had been elected at the General Meeting held 8 May 2014.

On 6 August 2014 the ASX confirmed to the market that on 7 August 2014 the Company would be re-instated to Official Quotation on 7 August 2014.

On 6 August 2014 the Company lodged on the ASX all documents relevant to its re-instatement.

On 7 August 2014 the Company was re-instated to Official Quotation on the ASX.

On 7 August 2014 the Company unveiled its new website, www.ypbsystems.com and announced the appointment of Paul Everleigh as its Chief Operating Officer who will be based in Beijing, China.

On 11 August 2014 the Company announced a supply contract with China's largest shirt manufacturer, who would be utilizing the Company's anti-counterfeit fibre and T1 scanner product. Additionally the Company advised of the commencement of shipments for anti-counterfeit stamp pads.

On 18 August 2014 the Company advised the execution of a binding Letter of Intent (LOI) to acquire the US based anti-counterfeit App and online business, Brand Reporter.

On 19 August 2014 the Company advised the market that to harmonise the Balance dates of its various entities it would be changing its Balance date to 31 December, as a result the 31 December 2014 Annual Report would be for the 6 months ending 31 December 2014.

10. Directors' & Secretary Experience and Special Responsibilities

John Houston

Executive Chairman and Chief Executive Officer

Appointed 31 July 2014

John Houston is the major shareholder and current managing director of YPB. He has over 20 years of international business experience in countries including Australia, New Zealand, Sri Lanka, Thailand, Switzerland and Singapore.

John's experience includes being Chairman of an ASX listed Company, building a USD \$2 billion "Greenfield" mobile phone operation in Thailand, running a USD \$350m EBITDA mobile Company in Switzerland, and selling an international Broadband Company for a 70x multiple of EBITDA.

Geoffrey Raby

Non-Executive Director

Appointed 31 July 2014

Dr Raby was the Australian Ambassador to China from February 2007 to August 2011 and Deputy Secretary of the Department of Foreign Affairs and Trade from November 2002 to November 2006. He is a former Australian Ambassador to the World Trade Organisation and also to APEC (Asia Pacific Economic Co-operation).

Dr. Raby lives in Beijing, China. As well as being CEO of Geoff Raby & Associates, a Beijing-based business advisory firm, he sits on a number of listed ASX Company boards.

Dr. Raby has BEc (Hons) MEd and PhD degrees from La Trobe University Melbourne.

George (Su) Su

Non-Executive Director

Appointed 31 July 2014

Mr Su headed CITIC Securities Australian operation between 2009 and 2013 with special focus on cross border transactions between Australia and China and continues to represent the Chinese investment bank in Australia as its business partner. He was born and educated in Beijing before continuing his education in the USA. He holds a Bachelor of Arts Degree in Business Administration.

Mr Su has lived and worked in China, Hong Kong, Singapore and Australia and now resides in Sydney. He has held senior positions in a Chinese government controlled investment company, has been the managing director of a Singapore based venture group, has served as managing director of an ASX listed company and is an Independent director of Macquarie Bank's China property fund.

Robert Whitton
Non-Executive Director and Company Secretary

Robert has a longstanding and successful career as a Chartered Accountant and Business Advisor. A specialist in business reconstruction services and Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Company Directors. Robert has in excess of 25 years experience gained across a range of accountancy firms, most recently as a Director of William Buck, Chartered Accountants & Advisors in Sydney, Australia. Robert is a Certified Fraud Examiner. He also is an Associate Fellow of the Australian Institute of Management and a member of Australian Restructuring Insolvency & Turnaround Association.

Robert is also a Director of The Australian Wine Co-Operative Society Ltd ("The Wine Society"). He was appointed Company Secretary of the Company on 31 July 2014 having previously been appointed non-executive Director on 3 August 2012.

Former Directors

Peter Dykes
Non-Executive Director and Company Secretary

Mr Dykes has more than 20 years experience in the technology industry, beginning his career as a founding member of KPMG's technology advisory practice in both Sydney and Melbourne. He subsequently co-founded a boutique technology advisory business and advised some of Australia's largest corporate clients including BHP, Boral, Telstra and General Motors Holden.

Mr Dykes was an Executive Director, CFO and Company Secretary of Nexbis Ltd and played a key role during its rise from a market capitalisation of \$4 million until its successful sale for \$80 million.

Mr Dykes resigned as both a non-executive Director and Company Secretary on 31 July 2014.

Anthony M. Damianos
Non-Executive Director

Mr. Damianos has been involved in all aspects of the precious and semi-precious gem industry which included roles in mining, marketing and administration. He has extensive experience in sapphire, chrysoprase, emerald and tiger iron mining operations within Australasian. Mr. Damianos was the Chief Operations Officer of the Company's operating subsidiary for 5 years prior to its acquisition. In that role he was responsible for project planning, the construction and commissioning of the largest sapphire processing plant in the southern hemisphere as well as the day-to-day operations including environmental regulation compliance, rough sapphire classification and order fulfillment.

Mr Damianos resigned on 31 July 2014.

11. Meetings of Directors

During the financial year, 2 Formal Board meetings of directors were held additionally where necessary and appropriate Board matters were dealt with by telephone conference and circular resolution. During the year the full Board dealt with all relevant matters and no separate meetings of either the Remuneration or Audit Committees of the Board were held. Attendances by each director during the year were:

	Board Meetings	
	Number eligible to attend	Number Attended
Robert Whitton	2	2
Anthony Damianos	2	2
Peter Dykes	2	2

12. Directors' equity participation

As at 25 August 2014, the Current Directors' relevant interests in the equity securities of the Company were as follows:

	Ordinary shares
John Houston	60,384,453
Geoffrey Raby	250,000
George (Su) Su	5,466,716
Robert Whitton	50,000

13. Remuneration Report

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

Remuneration Policy

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

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

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive an agreed mix of fixed salary (which is based on factors such as experience and level of responsibilities), superannuation, fringe benefits and an annual cash performance incentive. The Company's Remuneration Committee will review and make recommendations to the Board in respect of executive packages on an annual basis. Reference will be made to the Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The performance of executives is measured against criteria agreed annually with each executive. Performance criteria include factors relating to the responsibilities of each position as well as company-wide factors such as the forecast growth of the Entity's profits. All bonuses are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and can recommend changes to the committee's recommendations. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The executive directors and executives receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed. There are no share or options schemes as part of directors' or executive remuneration.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

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

Performance Based Remuneration

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

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

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

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

There were no KPIs set for the 2014 year and as a result no performance payments were paid or are payable.

Details of Remuneration for the Year Ended 30 June 2014

The remuneration for each director and each of the executive officers of the Consolidated Entity receiving the highest remuneration during the year is set out in the tables below.

Name	Fees or Remuneration
Robert Whitton	Nil
Anthony Damianos	Nil
Peter Dykes	Nil

Employment Contracts of Directors and Senior Executives

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

- none of the contracts have fixed terms;
- resignation period or termination by the Company is six month's notice;
- termination or redundancy payments by the Company are not specifically provided for in the contracts, however, will be payable in accordance with relevant Federal or State legislation; and
- no termination payments are payable in respect of resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

14. Indemnification of Directors, Officers and Auditor

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

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

15. Insurance Premiums

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

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

16. Non-audit Services

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

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

17. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2014 will be included on page 10 of this Annual Report.

18. Proceedings on Behalf of Company

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

19. Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors



Robert Whitton
Director/Company Secretary



John Houston
CEO/Director

Dated this 29th day of August 2014

AUV Enterprises Ltd (“AUV”) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 29, 66 Goulburn Street, Sydney NSW 2000.

CORPORATE GOVERNANCE STATEMENT

Background

The Board of Directors of AUV are responsible for the Corporate Governance of AUV and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The AUV Corporate Governance Statement on the governance practices adopted by the Company is structured with reference to the ASX Corporate Governance Council’s Principles and Recommendations. The practice are summarised below.

The Board is committed to improving its corporate governance practices and embracing the principles put out by the ASX Corporate Governance Council, however the Board is of a view that the adoption of the practices and principles should be in line with the growth in size, changes in the nature and increase in complexity of the Company’s business.

The Board aims to achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time. As reported in the current years’ and previous years’ annual report, the Company has been concentrating on its efforts to restore the financial position of the Company and does not have sufficient resources to adopt and improve its corporate governance practices at present.

It is the new Board’s intention to apply all principals previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 1: Lay solid foundations for management and oversight.

On resumption of quotation of AUV’s securities on the ASX, it is Board’s intention to ensure the Company is structured such that there are clearly defined roles, segregation of duties and responsibilities and approved levels of authority between the management and the governance of the Company. The Board will set the overall corporate governance policy for the Company including determining the strategic direction, establishing policies and goals for management and monitoring the achievement of them. The Board will delegate responsibility for the day to day management of the Company to the Chief Executive Officer and the senior executive team.

The key responsibilities of the Board will include:

- setting the long-term strategy and annual business plan including objectives and milestones to be achieved;
- evaluating capital, cash and operating risk budgets and making appropriate recommendations on an annual basis;
- reviewing and approving the Company’s financial, strategic and operational goals and assessing key business developments as formulated by management in line with the objectives and goals set by the Board;
- monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;

- appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer and Company Secretary;
- overseeing the delegation of authority for the day to day management of the Company;
- ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance;
- reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company;
- approving the capital structure and major funding requirements of the Company;
- making recommendations as to the terms of engagement, independence and the appointment and removal of the external auditors;
- setting the Code of Conduct for the Company and ensuring that appropriate standards of corporate governance and ethics are effectively communicated throughout the Company and complied with;
- reviewing the adherence by each director to the Directors' Code of Ethics;
- establishing policies to ensure that the Company complies with the ASX Continuous Disclosure Policy;
- approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and
- ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.

Principle 2: Structure the Board to add value

The Board is presently structured to maximise value to the Company and the shareholders. The Board is of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives, experiences and skills.

Board composition

The Board subsequent to 1 August 2014 is composed of four directors. The skills, experience and expertise relevant to the position of Director held of each Director in office at the date of the annual report are included in the Directors Report.

It is noted that the Company's board composition may not be in keeping with the commentary and guidance to Best Practice Recommendations 2.1. The Board is of the opinion that the current stage of uncertainty in relation to the future operations of the Company requires the Company to have a board, which has more of a hands-on and technical experience in order to stabilise the Company. However, the board is committed to follow the guidance to Best Practice Recommendations 2.1 by appointing independent directors to the Board once the future direction of the Company is resolved.

The Board has determined that there are sufficient appropriate alternative governance measures in place to ensure that non compliance with the recommendations does not give rise to undue risk or other material concerns relating to the management and oversight of the Company.

Term of office

The members of the Board are elected by the shareholders to ensure that the Board has the appropriate mix of expertise and experience.

In accordance with the Corporations Act 2001, if a person is appointed as Director during the year, the Company must confirm appointment by resolution at the Company's next Annual General Meeting.

One-third of the Board retires and make themselves available for re-election at the following AGM, with the exception of the Chief Executive Officer. No Director, with the exception of the Chief Executive Officer, is allowed to retain office for more than 3 years without submitting himself or herself for re-election.

When a vacancy exists on the Board, the Board appoints the most suitable candidate from a panel of candidates, who then must stand for election at the next Annual General Meeting if he or she wishes to continue as a member of the Board in the following year.

Personal interests & conflicts

Directors must not take advantage of their position as Directors and must not allow their personal interests, or the interests of any associated person to interfere or exert undue influence on their conduct or decisions as a Director.

Directors also have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Conflicts of interest can be either actual or potential. If a conflict of interest arises, Directors must disclose their interests to the Board immediately. The Directors concerned must not be present at the meeting while the matter is being considered and must not be allowed to vote on the matter either.

Independent professional advice

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Board Standing Committees

Due to the size of the Company and present uncertainties the Board has decided not to formally establish a Nomination Committee.

Although the board established an Audit and Risk Management Committee, at the date of this report, the Company has not appointed any member to the Committee and as such, the responsibilities and duties of this Committee were taken up by the Board during the year. The small size and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an Audit and Risk Management Committee.

Consequently, the Company does not comply with Best Practice Recommendations. However the Board will keep this position under review.

Summary

In summary, the Company does meet the requirements of Principle 2 of the Corporate Governance Guidelines in that:

- (i) The Board does comprise a majority of independent Directors;
- (ii) The Chairperson is an independent Director;

As explained throughout this section, the Board feels that at the present time each of the recommendations is not cost effective for adoption in a small public company such as AUV Enterprises Ltd. However the Board will constantly monitor and review the situation.

Principle 3 and 10: Promote ethical and responsible decision-making and recognise the legitimate interests of stakeholders

Code of Conduct & Ethics

The Company had a Code of Conduct, which sets the standards in accordance with which each director, manager and employee of the Company is expected to act. The code is communicated to all levels of the Company and deals with areas such as professional conduct, customers/consumers, suppliers, advisers/regulators, competitors, the community and the employees.

In addition to the Code of Conduct, the Company also had a Directors' Code of Ethics, which sets out particular issues relevant to directors' obligations to the Company.

Share trading policy

The constitution permits directors, senior executives and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for insider trading.

Directors must notify the Chairman of the Board, before they buy or sell shares in the Company. If the Chairman of the Board intends to trade in the Company shares, the Chairman of the Board must give prior notice to the Chairman of the Audit & Risk Management Committee or the whole Board if there is no Audit & Risk Management Committee. The details of the share trading must be given to the Company Secretary who must lodge such details of such changes in with the ASX.

Senior executives must give prior notice to the Chief Executive Officer, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 7 business days.

Any changes in substantial shareholding of the Directors, senior executives or other officers must be reported to the ASX within 2 business days of such trading. The policy also recommends that trading in the Company shares only occur in the following trading windows:

- 30 days after the announcement of the Company's half year results; and
- 30 days after the announcement of the Company's full year results.

It is the Board's responsibility to ensure an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations such as benchmarking of operational key performance indicators.

Executive Certification

Historically the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are required to and have provided assurance to the Board stating that the financial statements and reports of the Company:

- Present a true and fair view, in all material respects, of the operating results and financial condition in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001;
- Are founded on a system of risk management and internal compliance and control, and these are operating efficiently and effectively in all material aspects.

It is the Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX including the requirement to obtain assurances from the CEO and the CFO in relation to the financial statements, systems of risk management and internal controls - in stages as the Company grows and its circumstances change over time.

Audit & Risk Management Committee – audit responsibilities

The Company currently does not have an audit committee. Historically the board believes a separate audit committee in a company of this size with the absence of independent Directors would be of little value. The small size of the company and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an audit committee.

The board is committed to following the Best Practice Recommendation 4.3, and will establish an independent Audit & Risk Management Committee once independent Directors are appointed and the Company increases in size.

Principle 5: Make timely and balanced disclosure

Historically, the Company's market disclosure policy is to ensure that shareholders and the market are fully informed of the Company's strategy, performance and details of any information or events that could be material to the value of the Company's securities. The Company is committed to ensuring that all information that may have a material impact on the Company's share value is disclosed to the market in a timely and balanced manner.

The Chief Executive Officer and the Company Secretary, in consultation with the Board, are responsible, for the review, authorisation and disclosure of information to the ASX and for overseeing and coordinating information disclosures to the ASX, shareholders, brokers, analysts, the media and the public.

The Company ensures that it also complies with the requirements of the Listing Rules of the Australian Stock Exchange ("ASX") and the Corporations Act in providing information to shareholders through:

- The half-yearly report to the ASX;
- The annual Report which is distributed to the ASX and to shareholders prior to the AGM;
- The AGM and other meetings called to obtain approval from shareholders where appropriate;
- Ad-hoc releases to the ASX as required under the ASX Listing Rules.

It is the Board's intention to apply all principles previously adopted in a timely manner on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 6: Respect the rights of shareholders

Communication to shareholders

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary are primarily responsible of ensuring communications with shareholders are delivered in accordance with this strategy and with our policy of continuous disclosure.

The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.

Annual General Meeting

Historically, the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The Board has also requested representatives from Colin Bloomfield & Associates, the Company's external auditor, to be present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

It is the Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX and implement all of the Best Practice Recommendations in stages as the Company grows and its circumstances change.

Principle 7: Recognise and manage risk

Risk management responsibilities

The Company's risk management framework is designed to identify, assess, monitor and manage material business risks, both financial and non financial, to minimise their impact on the achievement of organisational goals.

As no member has been appointed to the Audit & Risk Management Committee, the Board is responsible for reviewing and ratifying the system of risk management, internal compliance and control, codes of conduct and legal compliance.

Historically, the Board delegates to the Chief Executive Officer and the Chief Financial Officer the responsibilities for the establishment, implementation and maintenance of the system of risk management including measures of its effectiveness.

It is the Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

Principle 8: Encourage enhanced performance

Performance evaluation

The Board has responsibility with respect to the following functions:

- develop policies and procedures to identify, assess and enhance the skills, expertise and competencies of the Directors individually and the Board as a whole; and
- develop a process and establish the criteria for evaluating the performance of the Directors and the Board as a whole.

Monthly financial results

Historically, the Chief Financial Officer distributes the monthly financial results of the Company to members of the Board before each monthly Board meeting. This ensures the Board is kept up to date with all the necessary information to effectively discharge their duties in its discussions and deliberations.

The Board is also free to meet and question individual members of management to clarify issues on any matter pertaining to the Company.

It is the Board's intention to apply all principles previously adopted – including distribution of monthly results before each board meeting - on the resumption of quotation on the ASX and implement all of the Best Practice Recommendations in stages as the Company grows and its circumstances change.

Director induction and training

New Directors will be provided with an induction program to introduce them to the Company structure, culture and business operations.

Directors are also encouraged to undertake continuous professional development, at the Company's expense, to keep their skills up to date.

Principle 9: Remunerate fairly and responsibly

Remuneration responsibilities

The Company's remuneration policy is disclosed in the Directors' Report. The policy has been set out to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.

The Board determines any changes to the remuneration of key executives on an annual basis.

The Board determines and reviews compensation arrangements for the Directors and the executive team.

Financial Report

30 June 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the year ended 30 June 2014

	Note	Consolidated Entity 2014 \$000	2013 \$000
Revenue	2	6	-
Changes in inventories of finished goods		-	-
Materials and consumables used		-	-
Depreciation and amortisation expense	3	-	-
Employee benefits expense		-	-
Finance costs	3	-	-
Other expenses		(930)	(11,143)
Loss before income tax		(924)	(11,143)
Income tax expense	5	-	-
Loss for the year		(924)	(11,143)
Other comprehensive income		-	-
Overall Operations:			
Basic earnings per share (cents per share)	7	(.01)	.02
Diluted earnings per share (cents per share)	7	(.01)	.02

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	Consolidated Entity	
		2014	2013
		\$000	\$000
CURRENT ASSETS			
Cash assets	8	19	35
Receivables	9	8	-
Inventories	10	-	-
TOTAL CURRENT ASSETS		27	35
NON CURRENT ASSETS			
Receivables	9	-	-
Other financial assets	11	-	-
Property, plant and equipment	13	-	-
Exploration and development	14	-	-
TOTAL NON CURRENT ASSETS		-	-
TOTAL ASSETS		27	35
CURRENT LIABILITIES			
Trade and other payables	15	255	25
Short-term borrowings	16	-	-
Short-term provision	17	-	-
TOTAL CURRENT LIABILITIES		255	-
NON CURRENT LIABILITIES			
Long-term borrowings	16	-	-
Long-term provision	17	-	-
TOTAL NON CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		255	25
NET ASSETS		(228)	10
EQUITY			
Issued capital	18	17,090	16,404
Accumulated losses		(17,318)	(16,394)
TOTAL EQUITY		(228)	10

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	Consolidated Entity	
		2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6	-
Payments to suppliers and employees		(274)	(915)
Interest received		-	-
Finance costs		-	-
Net cash provided by (used in) operating activities	24a	(268)	(915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
Development expenditure		-	-
Exploration expenditure		-	-
Proceeds from sale of property, plant and equipment		-	-
Net cash provided by (used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances of loans		255	-
Repayment of related party loans		-	-
Payments for performance bond		-	-
Repayment of borrowings		-	-
Advances to controlled entities		-	-
Proceeds from issue of shares (net of costs)		22	925
Net cash provided by (used in) financing activities		277	925
Net increase/(decrease) in cash and cash equivalents held		9	10
Cash and cash equivalents at 1 July		10	-
Cash and cash equivalents at 30 June	8	19	10

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Share Capital \$000	Accumulated Losses \$000	Total \$000
Consolidated Entity			
Balance at 1 July 2012	16,404	(16,394)	10
Loss attributable to members of parent entity	-	-	-
Balance 30 June 2013	<u>16,404</u>	<u>(16,394)</u>	<u>10</u>
Loss attributable to members of parent entity			
Share issues, net of transaction costs	686	(924)	(238)
Balance 30 June 2014	<u>17,090</u>	<u>(17,318)</u>	<u>(228)</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers AUV Enterprises Limited and controlled entities (the **Consolidated Entity**), and AUV Enterprises Limited as an individual parent entity (the **Company** or **Parent Entity**). The Company is a listed public company, incorporated and domiciled in Australia.

The financial report of the Consolidated Entity and the Parent Entity comply with all Australian equivalents to International Financial Reporting Standards (**AIFRS**) in their entirety.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting Policies

(a) Going Concern Basis of Accounting

The financial statements have been prepared on a going concern basis notwithstanding that the company incurred an operating loss after income tax of \$924,000 and deficiency in net assets of \$(228,000) as at 30 June 2014 and that the company incurred significant losses and generated negative cash flows from operations and subsequent over a number of years.

The company is currently in the final process of recapitalizing its operations. Accordingly, the Directors' are of the opinion that the company will be able to meet its current trade and other payables, as well as repay its debts as and when they fall due. Therefore, the Directors are of the opinion that the financial statements be prepared on a going concern basis.

In the event that the company is unable to realize its object of obtaining profitable opportunities or complete any further capital raisings, it will be required to realize its assets and extinguish its liabilities in a manner other than in the normal course of business such as voluntary administration. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

(b) Principles of consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. Details of the controlled entities are contained in Note 13.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered (or left) the Consolidated Entity during the year its operating results have been included (or excluded) from the date control was obtained or until the date control ceased.

(c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

AUV Enterprises Limited and its wholly owned subsidiary, Australis Mining Operations Qld Pty Limited, have been consolidated for tax purposes under the Tax Consolidation System from 6 April 2004. AUV Enterprises Limited is responsible for recognising the current and deferred tax assets and liabilities for the consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the Consolidated Entity to have an independent valuation every three years, with annual appraisals being made by the directors.

Plant and equipment

Plant and equipment are measured on a fair value basis, except for office equipment, which is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. An annual appraisal of the fair value is made by the directors.

The cost of plant constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead expenditure. Output produced during commissioning of plant has been valued at cost and deducted from the costs of construction.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rate
Buildings	25%
Plant and equipment	10% - 25%

(f) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the Consolidated Entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Consolidated Entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives received under operating leases are recognised as a liability.

(g) Investments

Non-current investments are recognised at cost. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for non-listed companies. The expected net cash flows from investments have been discounted to their present value in determining the recoverable amounts.

(h) Mine Development & Exploration

Exploration Expenditure

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. The expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

- such costs are expected to be recouped through the successful development of the area or, alternatively, its sale; or
- where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Mine Development Expenditure

Mine development expenditure represents the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of Development Expenditure only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Provision for rehabilitation

Rehabilitation, restoration and decommissioning obligations associated with the retirement or disposal of mine site assets to be recognised when the disturbance and obligation occurs.

The provision is measured at the present value of the future expenditure and a corresponding asset is also recognised. The capitalised cost is amortised over the life of the project and a provision is increased as further disturbance occurs which creates a further obligation to rehabilitate. Associated discounting of the liability unwinds throughout the life of the provision; with this unwind being recognised as an interest expense.

In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Foreign currency transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

(j) Employee benefits

Provisions are made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Consolidated Entity to an employee superannuation fund and are charged as expenses when incurred.

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(m) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and, accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

(n) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
2. REVENUE		
Revenue from operating and non-operating activities comprises:		
Operating Activities		
- sale of goods	6	-
- interest received – other persons	-	-
	6	-
Non operating activities		
- sale of equipment	-	-
Total Revenue	6	-
3. LOSS		
(a) Expenses		
Cost of goods sold	-	-
Finance costs:		
- external	-	-
- related entities	-	-
- other related parties	-	-
Total finance costs	-	-
Depreciation of non-current assets		
- buildings	-	-
- plant and equipment	-	-
- leased plant and equipment	-	-
	-	-
Less capitalisation of depreciation charges	-	-
	-	-
Amortisation of non-current assets		
- mine development	-	-
Less capitalisation of amortisation charges	-	-
	-	-
Total depreciation and amortisation	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
Rental expense on operating leases		
- minimum lease payments	-	-
4. INCOME TAX EXPENSE	-	-

No income tax is payable by the consolidated entity and parent entity as each incurred a tax loss for the period ended 30 June 2013. The benefit of carried forward tax losses will only be obtained if:

- (a) the Consolidated Entity and the parent entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) the Consolidated Entity and the parent entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (c) no changes in tax legislation adversely affect the Consolidated Entity and the parent entity in realising the benefit from the deductions for the losses.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 June 2014

5. KEY MANAGEMENT PERSONNEL COMPENSATION

- (a) Names and positions held of the Company and Consolidated Entity key management personnel in office at any time during the financial year were (all personnel held office for the entire year unless otherwise noted):

Parent Entity Directors:

Robert Whitton	Non-Executive Chairman and Director
Anthony Damianos	Non-Executive Director
Peter Dykes	Non-Executive Director

(b) **Key Management Personnel Compensation**

2014 Name	Short-term benefits		Post-Employment	Total Package \$000	Performance Related
	Salary & Fees \$000	Non-cash Benefits \$000	Superannuation Contributions \$000		
					0%
Robert Whitton					0%
Anthony Damianos					0%
Peter Dykes					0%
					0%

2013 Name	Short-term benefits		Post-Employment	Total Package \$000	Performance Related
	Salary & Fees \$000	Non-cash Benefits \$000	Superannuation Contributions \$000		
					0%
Robert Whitton					0%
Anthony Damianos					0%
Peter Dykes					0%
					0%

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 June 2014

(c) Shareholdings

The number of shares held by key management personnel as at 30 June 2014 is detailed below.

Name	Balance 30 June 2013	Balance 30 June 2014
Robert Whitton	-	-
Anthony Damianos	6,250	6,250
Peter Dykes	11,142,152	11,142,152
	11,148,402	11,148,402

(d) Compensation Practices

The Company's policy for determining the nature and amount of compensation of key management personnel of the Company is as follows:

The compensation structure for key management personnel, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The Company may terminate the contracts without cause by providing 1 month written notice or making payment in lieu of notice based on the individual's annual salary component together with any applicable redundancy payment as recommended by State-based legislation. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The group seeks to emphasize payment for results through a cash bonus scheme. The scheme provides for payment of a cash bonus upon achievement of key performance indicators ("KPIs") such as return on equity. Bonuses were not paid or provided for in the 2006 financial year as the KPIs were not met. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders.

	Consolidated Entity	
	2014	2013
	\$000	\$000
6. AUDITORS REMUNERATION		
Remuneration of the auditor of the parent entity and its related practices.		
Auditing and reviewing of financial reports	9	-
Other services	-	-
Total fees	<u>9</u>	<u>-</u>

	Consolidated Entity	
	2014	2013
	\$000	\$000
7. EARNINGS PER SHARE		
Basic earnings per share (cents per share)	(.01)	.02
Diluted earnings per share(cents per share)	(.01)	.02
Net profit/(loss) after tax has been used as earnings in calculation of earnings per share	(924)	(11,143)

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	90,000,000	64,060,733
Effective of dilutive securities – share options	-	-
Adjusted weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	<u>90,000,000</u>	<u>64,060,733</u>
No adjustment has been made for dilution by share options as the share price at year end was less than the exercise price of the options.		

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
8. CASH ASSETS		
Cash at bank	19	35
 Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the Statement of Financial Position as follows:		
Cash	19	35
 9. RECEIVABLES		
Current		
Amounts receivable from ultimate parent entity & subsidiaries	-	-
Sundry receivables	8	-
	8	-
 Non-current		
Amount receivable from controlled entity	-	-
 10. INVENTORY		
Current		
Finished goods – at cost	-	-
 11. OTHER FINANCIAL ASSETS		
Shares in controlled entities – at cost	-	-
 12. CONTROLLED ENTITIES	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
13. PROPERTY, PLANT AND EQUIPMENT		
LAND AND BUILDINGS		
Freehold Land		
Directors' valuation	-	-
Cost	-	-
Total Land	-	-
Buildings		
Cost	-	-
Accumulated depreciation		-
Total Buildings	-	-
Total Land and Buildings	-	-
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	-	-
Directors' valuation	-	-
Accumulated depreciation	-	-
Total plant and equipment	-	-
Leased plant and equipment:		
At cost	-	-
Accumulated depreciation	-	-
Total leased plant and equipment	-	-
Total Plant and Equipment	-	-
Total Property, Plant and Equipment	-	-

In adopting the valuation that is disclosed above, the Directors have had regard to an independent market appraisal of the plant and equipment prepared.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold Land	Buildings	Plant and Equipment	Leased Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000
<i>Consolidated Entity</i>					
Balance at the beginning of the period					
Additions					
Disposals					
Depreciation expense					
Carrying amount at the end of the period					

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
14. EXPLORATION AND DEVELOPMENT		
DEVELOPMENT COSTS – PRODUCTION PHASE		
Directors' valuation	-	-
Expenditure incurred during the year	-	-
Amortisation	-	-
Total Mine Development	-	-
EXPLORATION EXPENDITURE		
Cost brought forward	-	-
Expenditure incurred during the year	-	-
Amortisation	-	-
Total Exploration Expenditure	-	-
Total Exploration and Development	-	-
15. TRADE AND OTHER PAYABLES		
Current, unsecured liabilities		
Trade payables	255	-
Sundry creditors and accrued expenses	-	-
Amounts payable to		
- key management personnel	-	-
	255	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

		Consolidated Entity	
		2014	2013
		\$000	\$000
16. BORROWINGS			
Current			
Loan ⁽¹⁾	22	225	-
Lease liability – secured	20	-	-
		225	-
Non Current			
Loan from director ⁽¹⁾		-	-
Lease liability – secured	20	-	-
		-	-
(1) The loan from John Houston’s related entities.			
(a) Total current and non-current secured liabilities			
Lease liability	20	-	-
		-	-
(b) The carrying amounts of non-current assets pledged as security			
Assets subject to lease		-	-
First Mortgage:		-	-
Receivables		-	-
Freehold land and buildings		-	-
Plant and equipment		-	-
Exploration and development		-	-
Total assets pledged as security		-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	Consolidated Entity	
	2014	2013
	\$000	\$000
17. PROVISIONS		
Current		
Employee Entitlements	-	-
<hr/>		
18. CONTRIBUTED EQUITY		
90,000,000 ordinary shares	17,090	16,404
<hr/>		
(a) Ordinary Shares issued		
Movements in ordinary shares by value		
At the beginning of the financial year	16,404	15,479
Shares issued	686	925
At the end of the financial year	17,090	16,404
<hr/>		
Movements in ordinary shares by number	No.	No.
At the beginning of the financial year	55,710,733	55,710,733
Shares issued	34,289,267	350,000,000
Shares consolidated (8:1)		(389,975,372)
At the end of the financial year	90,000,000	55,710,733
<hr/>		

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

		Consolidated Entity	
		2014	2013
		\$000	\$000
19.	LEASING COMMITMENTS		
(a)	Operating lease commitments		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
	Payable:		
	Not later than 1 year	-	-
	Later than 1 year but less than 5 years	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
(b)	Finance Lease Commitments		
	Payable:		
	Not later than 1 year	-	-
	Later than 1 year but less than 5 years	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
	Less future finance charges	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
20.	CONTINGENT LIABILITIES	-	-
		<hr/>	<hr/>
21.	RELATED PARTY DISCOVERIES		
(l)	Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
22.	EVENTS SUBSEQUENT TO REPORTING DATE		

The Company announced on 2 July 2014 that the 1 for 10.9 consolidation of the Company's shares approved at the 8 May 2014 General Meeting had been implemented.

On 11 July 2014 the Company advised the closure of its public offer, such offer raising in excess of \$3.7m at 20c per share. The Company also confirmed its change of name to YPB Group Limited and its new ASX code of YPB.

The Company on 21 July 2014 lodged an Appendix 3B wherein it disclosed the upcoming issuance of the following fully paid ordinary shares and options :-

- 74,250,000 shares to the YPB Limited vendors
- 187,500 shares to parties associated with the public issue broker
- 18,750,000 shares to subscribers under the public offer
- 750,000 options with an exercise price of 20c and an expiry of 31 October 2017 to parties associated with the public issue broker.

On 31 July 2014 Messrs Dykes and Damianos resigned as Directors and Messrs Houston, Raby and Su were appointed to the roles they had been elected at the General Meeting held 8 May 2014.

On 6 August 2014 the ASX confirmed to the market that on 7 August 2014 the Company would be re-instated to Official Quotation on 7 August 2014.

On 6 August 2014 the Company lodged on the ASX all documents relevant to its re-instatement.

On 7 August 2014 the Company was re-instated to Official Quotation on the ASX.

On 7 August 2014 the Company unveiled its new website, www.ypbsystems.com and announced the appointment of Paul Everleigh as its Chief Operating Officer who will be based in Beijing, China.

On 11 August 2014 the Company announced a supply contract with China's largest shirt manufacturer, who would be utilizing the Company's anti-counterfeit fibre and T1 scanner product. Additionally the Company advised of the commencement of shipments for anti-counterfeit stamp pads.

On 18 August 2014 the Company advised the execution of a binding Letter of Intent (LOI) to acquire the US based anti-counterfeit App and online business, Brand Reporter.

On 19 August 2014 the Company advised the market that to harmonise the Balance dates of its various entities it would be changing its Balance date to 31 December, as a result the 31 December 2014 Annual Report would be for the 6 months ending 31 December 2014.

23. SEGMENT REPORTING

The Company operated in one geographic location, Australia, and during the period under review did not trade.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

		Consolidated Entity	
		2014	2013
		\$000	\$000
24	CASH FLOW INFORMATION		
(a)	Reconciliation of Cash Flow from Operations with Loss after Income Tax		
	Loss after income tax	(924)	(11,143)
	Cash flows excluded from profit attributable to operating activities:		
	Depreciation	-	-
	Asset writedowns	-	17,973
	Expenses offset	-	-
	Interest capitalized	-	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	Decrease in receivables	8	476
	Decrease in inventories	-	-
	Decrease in payables	648	(8,221)
	Cash flow from operations	(268)	(915)

25. PARENT ENTITY DISCLOSURE

Result of the parent entity loss for the year	(924)	(11,143)
Financial position of the parent entity		
Total assets	27	35
Total liabilities	(255)	25
Share Capital	17,090	16,404
Accumulated Losses	(17,318)	(16,394)
Total Equity	(228)	10

26. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is detailed in the table below:

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

(c) Net Fair Values

Net fair values of financial assets and liabilities are equal to their carrying amounts at balance date.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

	Effective Interest rate		Floating interest rate		Fixed Interest rate maturing				Non-interest bearing		Total	
	2014	2013	2014	2013	Within 1 Year		1 to 5 years		2014	2013	2014	2013
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets												
Cash			19	10					-	-	19	-
Receivables			-	-					-	-	-	-
Total Financial Assets			19	10					-	-	19	-
Financial Liabilities												
Loans			255	-					-	-	255	-
Lease Liabilities			-	-					-	-	-	-
Overdraft			-	-					-	-	-	-
Trade and sundry creditors			-	-					-	-	-	-
Amounts payable to related parties			-	-					-	-	-	-
Total Financial Liabilities			255	-					-	-	255	-