

Design Milk Co Limited  
Appendix 4E  
Preliminary final report

1. Company details

Name of entity:	Design Milk Co Limited
ABN:	15 006 908 701
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

			US\$
Revenues from ordinary activities	down	68.3% to	474,518
Loss from ordinary activities after tax attributable to the owners of Design Milk Co Limited	down	79.4% to	(554,733)
Loss for the year attributable to the owners of Design Milk Co Limited	down	79.4% to	(554,733)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to US\$554,733 (30 June 2022: US\$2,688,886).

Refer to the Chairman report for further commentary on the review of operations.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.03)</u>	<u>0.48</u>

4. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion with a material uncertainty paragraph on going concern has been issued.

5. Attachments

*Details of attachments (if any):*

The Annual Report of Design Milk Co Limited for the year ended 30 June 2023 is attached.

6. Signed

As authorised by the Board of Directors



Signed \_\_\_\_\_

Date: 31 August 2023

Mike Hill  
Chairman  
Sydney

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**Design Milk Co Limited**

**ABN 15 006 908 701**

**Annual Report - 30 June 2023**

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**Design Milk Co Limited**  
**Contents**  
**30 June 2023**

Chairman's report	2
Directors' report	3
Auditor's independence declaration	15
Statement of profit or loss and other comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to the financial statements	20
Directors' declaration	42
Independent auditor's report to the members of Design Milk Co Limited	43
Corporate directory	48
Shareholder information	49

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Sydney, Australia and Columbus, OH, USA

## Chairperson Update

Dear shareholders,

On behalf of the board, please find attached the 2023 annual report for Design Milk Limited (the company).

The financial year has been a year of transition where the company elected to refrain from investing further into the DMC business and instead negotiate a sale of that business.

During the first half of the financial year ended 30 June 2023 (FY23), the eCommerce operations of the business were closed down as the company transitioned to a revenue only advertising model. As announced on 20 April 2023 the assets of the company's remaining online business was agreed to be sold for \$350,000 USD. Following receipt of shareholder approval, the sale was completed on 26 June 2023.

As previously advised, the company intends to use the funds from the sale to explore other opportunities and for general working capital. To this end, the company is pleased to advise that it is in advanced discussions with a high growth technology company for a potential acquisition of that business. Whilst these discussions remain incomplete at this stage, they are well advanced, and the Board hopes to make a definitive announcement in relation to this potential acquisition in the near future.

The DMC business was sold in late FY23 and the board has been focussed on an alternative acquisition for the remaining entity to resume business.

We look forward to providing further updates to shareholders as the process of the acquisition completes in the first half of FY24.

**Mike Hill**

Chairman  
Design Milk Co. Limited

31 August 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Design Milk Co Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

#### Directors

The following persons were directors of Design Milk Co Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mike Hill - Chairman  
Christopher Colfer  
Arnaud Massenet  
Bryan Michael Zekulich (appointed on 27 September 2022)  
Andrew Whitten (appointed on 1 December 2022)  
Michael Everett (resigned on 27 September 2022)

#### Principal activities

During the financial year, the principal activity of the consolidated entity was the provision of advertising services.

As noted below, with the disposal of the main operating business, all activities of the consolidated entity have ceased. As at the end of the financial year, the consolidated entity is an investment vehicle exploring future business opportunities.

#### Significant changes in the state of affairs

During the first half of the financial year ended 30 June 2023, the e-commerce operations of the business were closed down as the consolidated entity transitioned to a revenue only advertising model. As announced on 20 April 2023 the assets of the consolidated entity's remaining online business was agreed to be sold for US\$350,000. Following receipt of shareholder approval, the sale was completed on 26 June 2023.

As previously advised, the company intends to use the funds from the sale to explore other opportunities and for general working capital. To this end, the company is pleased to advise that it is in advanced discussions with a high growth technology company for a potential acquisition of that business. Whilst these discussions remain incomplete at this stage, they are well advanced, and the Board hopes to make a definitive announcement in relation to this potential acquisition in the near future. As part of this proposed transaction, it is highly likely that contemporaneously with a capital raise and subject to the noteholders agreement, the current convertible notes on issue will be converted into equity.

#### Short-term loan

On 19 August 2022, the consolidated entity received US\$137,000 (A\$200,000) from Bombora Investment Management (a director-related entity). The working capital facility was converted into a convertible note facility as noted below.

#### Convertible note issue

On 7 December 2022, the shareholders approved the issuance of 5,328 convertible notes at a face value of A\$100 each amounting to a total borrowing of US\$359,909 (before costs). The convertible note included US\$137,000 of short-term facility converted into a 3-year convertible note facility. Refer to note 15 of the notes to the financial statements for terms and conditions and other details.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

#### Dividends

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

#### Review of operations

The loss for the consolidated entity after providing for income tax amounted to US\$554,733 (30 June 2022: US\$2,688,886).

Underlying EBITDA ('earnings before interest, taxation, depreciation and amortisation) adjusted for one-off gain/losses is a financial measure not prescribed by Australian Accounting Standards ('AAS') and represents the loss under AAS adjusted for gain on disposal of business, non-cash impairments, interest revenue, finance costs and tax expenses. The following table summarises key reconciling items between statutory loss after tax and the underlying EBITDA. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

	Consolidated	
	Discontinued operations	Discontinued operations
	2023	2022
	US\$	US\$
Underlying EBITDA	(823,855)	(1,431,909)
Interest revenue	20	2
Finance cost	(40,289)	(12,247)
Depreciation and amortisation expenses	(13,832)	(38,004)
Impairment expenses	-	(1,183,333)
Share-based payments	-	(233,553)
Non-cash income (subsidies and grants)	-	210,158
Net gain on disposal of business	323,223	-
	<u>(554,733)</u>	<u>(2,688,886)</u>
Statutory loss after income tax expense	<u>(554,733)</u>	<u>(2,688,886)</u>

Refer to the Chairman's report for further commentary on the review of operations.

#### Matters subsequent to the end of the financial year

The company is pleased to advise that it is in advanced discussions with a high growth technology company for a potential acquisition of that business. Whilst these discussions remain incomplete at this stage, they are well advanced, and the Board hopes to make a definitive announcement in relation to this potential acquisition in the near future. As part of this proposed transaction, it is highly likely that contemporaneously with a capital raise and subject to the noteholders agreement, the current convertible notes on issue will be converted into equity.

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### Material business risks and going concern

##### Operational and business acquisition risks

The company's operations have changed during the financial year having sold its operating business during the year. It is currently exploring opportunities for investment in new businesses. If the company is unable to secure a business acquisition, including agreeing upon a suitable funding structure to make such an acquisition, the company may not be considered a going concern and the operations of the company could be wound up. Where the company is able to acquire a business, the business and its management will need to be integrated into the company's corporate structure. Risks arise in relation to the operations of any new business acquired as not all relevant information may be available in relation to its labour, suppliers, and customers going forward. The company mitigates this risk to a large extent by conducting adequate due diligence. There is a risk that the company may overpay for the target business and that it may not be able to meet the expectations that the company had at acquisition.

##### Funding risks

The company is reliant upon securing additional funding to enable it to continue operations. Such funding may be dependent upon the company finding a suitable business acquisition, and the quality of the net assets acquired which may be required to be offered as security. The company currently has a working capital deficiency, and should short-term funding not be obtained, the company may not be able to pay its debts as and when they become payable. The company may also be reliant upon raising equity capital from the market in the near future to facilitate the business acquisition and to fund ongoing operations. Such fundraising activities are also dependent upon the attractiveness of the businesses going forward for investors, and macroeconomic factors such as the availability to source investors in a climate of inflationary pressures and rising interest rates. The company's main source of debt capital at reporting date is the convertible notes on issue that may be redeemed by investors in December 2025. They accrue interest at 12%. Should the company not secure a business acquisition and be able to negotiate an early conversion to equity, such debts will continue to accrue interest for which the company may not have available cash to settle.

#### Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity and the expected results of those operations are contained in the Chairman's report.

#### Information on directors

Name:	<b>Mike Hill</b>
Title:	Non-Executive Chairman
Qualifications:	Member of Chartered Accountants Australia and New Zealand
Experience and expertise:	Formerly a partner at Ernst & Young, Mike has been involved in working with management teams and boards across a number of companies and industries for more than 20 years. He is the Managing Director and Chief Information Officer and Founder of the Bombora Special Investment Growth Fund. Prior to Bombora he was an investment partner with Ironbridge, a private equity investment fund which invested US\$1.5 billion. Mike has served as Chairman of multiple ASX-listed companies over the past six years.
Other current directorships:	Janison Education Limited (ASX: JAN) (Non-executive chairman) - appointed on 7 July 2014; Beamtree Holdings Limited (ASX: BMT) (formerly Pacific Knowledge Systems Limited (ASX: PKS) (Non-executive chairman) - appointed on 26 June 2018; Mad Paws Holdings Limited (ASX: MPA) (Non-Executive Director) - appointed on 23 December 2020 and Gratifii Limited (ASX: GTI) (Non-Executive Director) - appointed on 29 December 2020.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	868,027 ordinary shares
Interests in options:	441,330 options over ordinary shares
Interests in rights:	None
Name:	<b>Christopher Colfer</b>
Title:	Non-Executive Director
Qualifications:	BA - Mount Allison University, NB, Canada
Experience and expertise:	Christopher is an international Chairman, Chief Executive and Board Director with an exemplary track record in multiple industry sectors including luxury goods, branded goods, Digital Transformation and e-commerce. He is highly skilled in strategy, e-commerce, business development, retail and marketing. For nine years he served as a Non-Executive Board Member of online luxury fashion retailer The Net-A-Porter Group Limited, and subsequently led the full acquisition. He also served on the Board of global online marketplace LYST for five years. Christopher currently serves on the Board of Woolworths Holdings in South Africa along with other directorships in verticals such as Fashion, Cosmetics, Skincare and Technology. Christopher was the Interim Chief Executive Officer of the consolidated entity from 23 March 2018 to 30 July 2018.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	1,386,190 ordinary shares
Interests in options:	641,330 options over ordinary shares
Interests in rights:	None
Name:	<b>Arnaud Massenet</b>
Title:	Non-Executive Director
Qualifications:	CPA and an MBA from UNCC (North Carolina)
Experience and expertise:	Arnaud is a board member and the former CEO of de-pury.com, an online art platform which he started with Simon and Michaela de Pury. Arnaud is the former CEO and founding partner of Luma, a leading alternative managed account platform in Europe, which was established with Gottex Asset Management Group in 2010. Arnaud is also a founding partner of the leading online fashion destination, The Net-A-Porter Group Limited, and was an active board member for over 10 years. Arnaud has also worked for over 13 years in investment banking, with leading firms such as Morgan Stanley and Lehman Brothers. Arnaud is the Chairman of GRIP.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,676,923 ordinary shares
Interests in options:	741,330 options over ordinary shares
Interests in rights:	None



**Name:** Bryan Michael Zekulich  
**Title:** Non-Executive Director  
**Qualifications:** Bachelor of Commerce from The University of Western Australia, Fellow of Chartered Accountants Australia and New Zealand and Fellow of the Financial Services Institute of Australia.  
**Experience and expertise:** Bryan was appointed to the Board on 27 September 2022. Brian is a Portfolio Manager and Managing Partner at Bombora Group. He was the Managing Partner of Ernst and Young's Private Equity sector for over 15 years. He is also a board member, treasurer and company secretary of the Australian Investment Council (formerly AVCAL: the Australian Private Equity and Venture Capital Association). Brian has significant experience in the Australian mergers and acquisitions market including divestments, strategic finance, capital raisings and advising on ASX listing requirements.  
**Other current directorships:** Gratifii Limited (ASX: GTI) (Non-Executive Director) - appointed on 29 December 2020  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit and Risk Committee  
**Interests in shares:** None  
**Interests in options:** None

**Name:** Andrew Whitten  
**Title:** Non-Executive Director  
**Qualifications:** Bachelor of Arts (Economics) University of New South Wales, Master of Laws and Legal Practice, University of Technology Sydney. Graduate Diploma in Applied Corporate Governance, Governance Institute.  
**Experience and expertise:** Andrew was appointed to the Board on 1 December 2022. Andrew is a corporate lawyer, investor and advisor with a focus on growth companies and ASX listed companies. He has advised many companies on ASX related matters and transactions including initial public offerings, capital raisings and acquisitions. He has developed significant expertise across a wide range of industry sectors, with an emphasis on technology. Andrew is a Director of various ASX listed entities and unlisted entities. Andrew is Managing Director of Prandium Capital, a boutique corporate advisory business focusing on ASX companies and technology businesses.  
**Other current directorships:** None  
**Former directorships (last 3 years):** Non-Executive Director of AdRabbit Limited (TSXV RAB) - resigned on 11 November 2022; Non-Executive Director of Tinybeans Group Limited (ASX: TNY) - resigned on 6 February 2023.  
**Special responsibilities:** None  
**Interests in shares:** 8,150 ordinary shares  
**Interests in options:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

#### Company secretary

Sapir Elias holds a Bachelor of Property Valuation. She has held the role of company secretary since 4 June 2020. Sapir previously served in the Israeli Defence Force from 2012 to 2014. Sapir works in property management dealing with contractual leasing in Sydney's east.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mike Hill	8	9	2	2
Christopher Colfer	6	9	2	2
Arnaud Massenet	1	9	-	-
Bryan Michael Zekulich	7	7	1	1
Andrew Whitten	5	5	-	-
Michael Everett	2	2	-	-

Held: represents the number of meetings held during the time the director held office.

### Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

#### **Principles used to determine the nature and amount of remuneration**

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

*Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

As prescribed by the Listing Rules of the ASX, the aggregate remuneration of non-executive directors is determined from time to time by shareholders at general meeting. Non-executive directors' fees (including statutory superannuation) are determined within an aggregate directors' fee pool limit. The pool currently stands at a maximum of \$500,000 per annum in total, which was approved by shareholders on 10 March 2014.

During the current financial year, non-executive directors were involved in finalising the sale transaction of the main operating entity. Further, following the exit of the Chief Executive Officer the non-executive directors were involved in certain operational aspects of the business for the year ended 30 June 2023. As a result, the Board resolved to pay the following remuneration to the directors for the year ended 30 June 2023:

Name	Director fees July 2022 to May 2023	Personal exertion and fees	Transaction fees (deal fees)	Total
Mike Hill	30,000	40,000	10,000	80,000
Christopher Colfer	30,000	90,000	30,000	150,000
Arnaud Massenet	30,000	10,000	20,000	60,000
Bryan Michael Zekulich	10,000	-	-	10,000
Andrew Whitten	10,000	-	10,000	20,000
Total	<u>110,000</u>	<u>140,000</u>	<u>70,000</u>	<u>320,000</u>

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits;
- discretionary cash bonus;
- share-based payments; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Short term incentives ('STI') are payable to KMP and other executives at the discretion of the Board and are not directly linked to the consolidated entity's profitability. No STI was paid to KMP and other executives for the years ended 30 June 2023 and 30 June 2022.

**Consolidated entity performance and link to remuneration**

Long term incentives ('LTI') comprising of share-based payments are directly linked to the performance of the consolidated entity. Share-based payments include executive options and performance options. LTI have various vesting conditions including: a continuous period of service with the consolidated entity; volume-weighted average share price targets; consolidated entity revenue targets; and/or cash flow targets. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the current year.

**Use of remuneration consultants**

During the financial year ended 30 June 2023, the consolidated entity did not engage any remuneration consultants.

**Voting and comments made at the company's 2022 Annual General Meeting ('AGM')**

At the 2022 AGM, shareholders voted to approve the adoption of the remuneration report of the company for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

**Details of remuneration**

The KMP of the consolidated entity consisted of the following directors of Design Milk Co Limited:

- Mike Hill - Non-Executive Chairman
- Christopher Colfer - Non-Executive Director
- Arnaud Massenet - Non-Executive Director
- Bryan Michael Zekulich - Non-Executive Director (appointed on 27 December 2022)
- Andrew Whitten - Non-Executive Director (appointed on 1 December 2022)
- Michael Everett - Non-Executive Director (resigned on 27 September 2022)

And the following person:

- Robert Mancini - Chief Executive Officer ('CEO') (resigned on 2 September 2022)

Amounts of remuneration:

Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Termination benefits	Equity settled options/rights	
Discontinued operations 2023	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Non-Executive Directors:</b>								
Mike Hill - Chairman	80,000	-	-	-	-	-	-	80,000
Christopher Colfer**	150,000	-	-	-	-	-	-	150,000
Arnaud Massenet	60,000	-	-	-	-	-	-	60,000
Bryan Michael Zekulich	10,000	-	-	-	-	-	-	10,000
Andrew Whitten	20,000	-	-	-	-	-	-	20,000
Michael Everett *	-	-	-	-	-	-	-	-
<b>Other KMP:</b>								
Robert Mancini***	16,100	-	-	-	-	-	-	16,100
	<b>336,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,100</b>

\* Non-executive director from 1 July 2023 to 27 September 2022. No remuneration was received during the period  
 Michael Everett was a KMP

\*\* Christopher Colfer performed certain executive director functions following the departure of the CEO

\*\*\* Robert Mancini was KMP for the period from 1 July 2022 to 2 September 2022.

Design Milk Co Limited  
 Directors' report  
 30 June 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments Equity settled		Total
	Salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Termination benefits	options/ rights	
Discontinued operations 2022	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>Non-Executive Directors:</i>								
Mike Hill - Chairman	-	-	-	-	-	-	58,388	58,388
Michael Everett	-	-	-	-	-	-	58,388	58,388
Christopher Colfer	-	-	-	-	-	-	58,388	58,388
Arnaud Massenet	-	-	-	-	-	-	58,388	58,388
<i>Other KMP:</i>								
Robert Mancini	166,250	87,931	104	-	-	-	-	254,285
Jaime Derringer*	-	-	-	-	-	-	-	-
	166,250	87,931	104	-	-	-	233,552	487,837

Non-executive director from 1 March 2022 until 10 June 2022. No remuneration was received during the period Jaime Derringer was a KMP

The proportion of remuneration that is fixed and the proportion that is linked to performance is as follows:

Name	Fixed remuneration		STI		At risk - LTI	
	Discontinued operations 2023	Discontinued operations 2022	Discontinued operations 2023	Discontinued operations 2022	Discontinued operations 2023	Discontinued operations 2022
<i>Non-Executive Directors:</i>						
Mike Hill	100%	-	-	-	-	100%
Michael Everett	-	-	-	-	-	100%
Christopher Colfer	100%	-	-	-	-	100%
Arnaud Massenet	100%	-	-	-	-	100%
Bryan Michael Zekulich	100%	-	-	-	-	-
Andrew Whitten	100%	-	-	-	-	-
<i>Other KMP:</i>						
Robert Mancini	100%	65%	-	35%	-	-

### Service agreements

The consolidated entity enters into employment agreements with each key management personnel. The agreements are continuous i.e. not of a fixed duration. The agreement can be terminated by the consolidated entity with reason immediately with no notice period and can only be terminated without reason with a 3 months' written notice period. Where the agreement is terminated by the key management personnel with or without reason, 3 to 4 months' written notice period is required.

The employment agreements contain substantially the same terms which include usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the consolidated entity's intellectual property rights and other proprietary information and non-compete clauses.

KMP have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2023.

#### Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

The number of options over ordinary shares granted to and vested in directors and other KMP as part of compensation during the years ended 30 June 2023 and 30 June 2022 are set out below:

Name	Number of options granted during the year 2023	Number of options granted during the year 2022	Number of options vested during the year 2023	Number of options vested during the year 2022
Mike Hill	-	300,000	-	300,000
Michael Everett	-	300,000	-	300,000
Christopher Colfer	-	300,000	-	300,000
Arnaud Massenet	-	300,000	-	300,000
Robert Mancini	-	-	-	-
Bryan Michael Zekulich	-	-	-	-
Andrew Whitten	-	-	-	-

On 23 November 2021, each of the four non-executive directors (at the time) were issued 300,000 fully vested options at an exercise price of A\$0.50 per option. The options have an expiry date of 23 November 2024.

#### Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel during the current financial year as part of compensation that were outstanding as at 30 June 2023.

### Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 US\$	2022 US\$	2021 US\$	2020 US\$	2019 US\$
Sales revenue*	474,498	1,497,610	1,351,993	878,071	3,222,433
Loss after income tax	(554,733)	(2,688,886)	(1,012,844)	(1,958,206)	(2,643,241)

\* Due to the change in the accounting policy with effect from the 2020 financial year, sales revenue is disclosed on a net basis. The revenue disclosure for 2019 is on a gross basis consistent with how the revenue was previously reported.

The factors that are considered to affect total shareholder's return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end (A\$) (cents per share) * **	30.00	29.00	36.00	35.00	35.00
Basic earnings per share (cents per share)	(1.53)	(7.41)	(3.47)	(8.92)	(19.00)

\* The company's share trading on the Australian Securities Exchange has been suspended since July 2022.

\*\* The share price at financial year end for the years prior to 2021 has been adjusted for the impact of the share consolidation that occurred in February 2021.

**Additional disclosures relating to KMP**

**Shareholding**

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Vesting of options/ rights	Additions	Disposal/ others	Balance at the end of the year
<i>Ordinary shares</i>					
Mike Hill	868,027	-	-	-	868,027
Michael Everett *	949,178	-	-	(949,178)	-
Christopher Colfer	1,386,190	-	-	-	1,386,190
Arnaud Massenet	3,676,923	-	-	-	3,676,923
Robert Mancini *	214,286	-	-	(214,286)	-
Andrew Whitten **	8,150	-	-	-	8,150
	<u>7,102,754</u>	<u>-</u>	<u>-</u>	<u>(1,163,464)</u>	<u>5,939,290</u>

\* For Michael Everett and Robert Mancini 'other' represents shares held at the resignation date.

\*\* For Andrew Whitten 'balance at the start of the year' represents shares held on the appointment date as a KMP.

**Option holding**

The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mike Hill	441,330	-	-	-	441,330
Michael Everett *	441,330	-	-	(441,330)	-
Christopher Colfer	641,330	-	-	-	641,330
Arnaud Massenet	741,330	-	-	-	741,330
Robert Mancini *	236,737	-	-	(236,737)	-
	<u>2,502,057</u>	<u>-</u>	<u>-</u>	<u>(678,067)</u>	<u>1,823,990</u>

For Michael Everett and Robert Mancini 'other' represents options held at resignation date.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Mike Hill	303,500	-	303,500
Christopher Colfer	300,000	-	300,000
Arnaud Massenet	300,000	-	300,000
	<u>903,500</u>	<u>-</u>	<u>903,500</u>

**Performance rights**

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other *	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Robert Mancini*	861,090	-	-	(861,090)	-
	<u>861,090</u>	<u>-</u>	<u>-</u>	<u>(861,090)</u>	<u>-</u>

\* For Robert Mancini 'other' represents vested rights held at resignation date.

*Other transactions with key management personnel and their related parties*

During the financial year, the consolidated entity issued 5,328 convertible notes at a face value of A\$100 each (US\$67.55 each). The notes carry 12% interest per annum. The notes are unsecured and have a 36-month term maturing on 7 December 2025. The noteholders have the option to seek repayment or alternatively convert the notes into ordinary shares.

*Details of convertible notes held by KMP along with accrued interest as at 30 June 2023 is set out below:*

Name of the KMP	Number of convertible notes (Number)	Convertible note value US\$	Interest payable US\$
Mike Hill	100	6,755	473
Christopher Colfer	160	10,808	757
Arnaud Massenet	490	33,100	2,317
	<u>750</u>	<u>50,663</u>	<u>3,547</u>

***This concludes the remuneration report, which has been audited.***

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Shares under option**

There were 2,289,844 unissued ordinary shares of Design Milk Limited under option outstanding at the date of this report. These options are exercisable at a weighted average exercise price of US\$0.33/A\$0.50 per share.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares under performance rights**

861,090 performance rights have vested and are exercisable as at the date of this report.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of Design Milk Co Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

**Shares issued on the exercise of performance rights**

There were no ordinary shares of Design Milk Co Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability 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.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.



**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Crowe Sydney**

There are no officers of the company who have been audit partners of Crowe Sydney.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



---

Mike Hill  
Chairman

31 August 2023  
Sydney

For personal use only

31 August 2023

The Board of Directors  
Design Milk Co Limited  
Level 5  
126 Phillip Street  
Sydney NSW 2000

Dear Board Members

## Design Milk Co Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Design Milk Co Limited.

As lead audit partner for the audit of the financial report of Design Milk Co Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Crowe Sydney**



**Barbara Richmond**  
Partner

*Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.*

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd*

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Design Milk Co Limited  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2023

	Note	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
<b>Revenue</b>			
Commission from sale of goods		32,994	407,997
Advertising revenue		441,504	1,089,613
Total sales revenue	6	474,498	1,497,610
Other income	7	329,488	210,197
Interest revenue calculated using the effective interest method		20	2
<b>Expenses</b>			
Employee benefit expenses	8	(498,867)	(1,806,142)
Contractors and commission expenses		(129,949)	(491,549)
Marketing expenses		(67,069)	(289,215)
Technology expenses		(67,989)	(135,679)
Freight and warehousing expenses		(16,389)	(132,624)
Impairment expenses		-	(1,183,333)
Occupancy and administrative expenses		(52,197)	(86,308)
Professional fees		(472,158)	(221,594)
Depreciation and amortisation expenses	8	(13,832)	(38,004)
Finance costs	8	(40,289)	(12,247)
Loss before income tax expense		(554,733)	(2,688,886)
Income tax expense	9	-	-
Loss after income tax expense for the year attributable to the owners of Design Milk Co Limited		(554,733)	(2,688,886)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		6,760	(69,733)
Other comprehensive income for the year, net of tax		6,760	(69,733)
Total comprehensive income for the year attributable to the owners of Design Milk Co Limited		(547,973)	(2,758,619)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	29	(1.53)	(7.41)
Diluted earnings per share	29	(1.53)	(7.41)

All operations of the consolidated entity are classified as discontinued. Refer to note 2 for further details.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Design Milk Co Limited  
Statement of financial position  
As at 30 June 2023

	Note	Consolidated 2023 US\$	2022 US\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	367,973	220,024
Trade and other receivables	11	75,233	100,435
Inventories		-	6,009
Other assets	12	4,352	21,353
Total current assets		<u>447,558</u>	<u>347,821</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	406	39,581
Total non-current assets		<u>406</u>	<u>39,581</u>
Total assets		<u>447,964</u>	<u>387,402</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	466,684	165,950
Contract liabilities		9,790	42,080
Other liabilities	16	-	5,660
Total current liabilities		<u>476,474</u>	<u>213,690</u>
<b>Non-current liabilities</b>			
Convertible notes	15	345,751	-
Total non-current liabilities		<u>345,751</u>	<u>-</u>
Total liabilities		<u>822,225</u>	<u>213,690</u>
Net assets/(liabilities)		<u>(374,261)</u>	<u>173,712</u>
<b>Equity</b>			
Contributed equity	17	57,004,215	57,004,215
Reserves	18	1,775,293	1,768,533
Accumulated losses		(59,153,769)	(58,599,036)
Total equity/(deficiency)		<u>(374,261)</u>	<u>173,712</u>

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

Design Milk Co Limited  
Statement of changes in equity  
For the year ended 30 June 2023

Consolidated	Contributed equity US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Balance at 1 July 2021	57,004,215	1,604,713	(55,910,150)	2,698,778
Loss after income tax expense for the year	-	-	(2,688,886)	(2,688,886)
Other comprehensive income for the year, net of tax	-	(69,733)	-	(69,733)
Total comprehensive income for the year	-	(69,733)	(2,688,886)	(2,758,619)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 31)	-	233,553	-	233,553
Balance at 30 June 2022	<u>57,004,215</u>	<u>1,768,533</u>	<u>(58,599,036)</u>	<u>173,712</u>

Consolidated	Contributed equity US\$	Reserves US\$	Accumulated losses US\$	Total deficiency in equity US\$
Balance at 1 July 2022	57,004,215	1,768,533	(58,599,036)	173,712
Loss after income tax expense for the year	-	-	(554,733)	(554,733)
Other comprehensive income for the year, net of tax	-	6,760	-	6,760
Total comprehensive income for the year	-	6,760	(554,733)	(547,973)
Balance at 30 June 2023	<u>57,004,215</u>	<u>1,775,293</u>	<u>(59,153,769)</u>	<u>(374,261)</u>

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

Design Milk Co Limited  
Statement of cash flows  
For the year ended 30 June 2023

		Consolidated	
		Discontinued operations	Discontinued operations
	Note	2023 US\$	2022 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers		467,410	2,585,301
Payments to suppliers and employees		(993,787)	(3,978,162)
Interest received		20	2
Receipts from other income		6,265	39
Interest and other finance costs paid		(5,480)	(12,247)
Net cash used in operating activities	30	<u>(525,572)</u>	<u>(1,405,067)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	13	-	(45,199)
Proceeds from disposal of business	7	350,000	-
Net cash from/(used in) investing activities		<u>350,000</u>	<u>(45,199)</u>
<b>Cash flows from financing activities</b>			
Proceeds from convertible notes issues	15,30	222,909	-
Proceeds from short-term debts (subsequently converted to convertible notes)	15,30	137,000	-
Transaction costs paid relating to convertible notes		(36,388)	-
Net cash from financing activities		<u>323,521</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		147,949	(1,450,266)
Cash and cash equivalents at the beginning of the financial year		<u>220,024</u>	<u>1,670,290</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>367,973</u></u>	<u><u>220,024</u></u>

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

### Note 1. General information

The financial statements cover Design Milk Co Limited (referred to as the 'company' or 'parent') as a consolidated entity consisting of Design Milk Co Limited and the entities it controlled at the end of, or during, the year (referred to as the 'consolidated entity'). The financial statements are presented in United States dollars, which is Design Milk Co Limited's presentation currency. The functional currency of Design Milk Co Limited is Australian dollars whilst that of its wholly-owned subsidiary AHL-KM Co. (formerly Design Milk Co.) is United States dollars.

Design Milk Co Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### Registered office

Level 5, 126 Phillip Street  
Sydney, NSW 2000  
Australia

#### Principal place of business (until June 2023)

1209 Hill Rd N  
Ste 256  
Pickerington, OH 43147  
United States of America

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023. The directors have the power to amend and reissue the financial statements.

### Note 2. Presentation of financial statements and discontinued operations

During the first half of the financial year ended 30 June 2023, the e-commerce operations of the business were closed down as the consolidated entity transitioned to a revenue only advertising model. As announced on 20 April 2023 the assets of the consolidated entity's remaining online business was agreed to be sold for US\$350,000. Following receipt of shareholder approval, the sale was completed on 26 June 2023. The net gain on disposal of the business is included in note 7 'other income'.

In view of the sale, currently the consolidated entity has no continuing activities and accordingly the results and financial position represent the consolidated entity as a discontinued operation as defined by AASB 5 'Non-current assets held for sale and discontinued operations'.

### Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### Going concern

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

During the year ended 30 June 2023, the consolidated entity incurred a net loss after tax of \$554,733 (2022: loss of \$2,688,886) and net cash outflows used in operating activities of \$525,572 (2022: \$1,405,067). As at 30 June 2023, the consolidated entity had cash and cash equivalents of \$367,973 (2022: \$220,024), deficiency in equity of \$374,261 (2022: Net equity of \$173,712) and net current liability of \$28,916 (2022: Net current asset of \$134,131).

### Note 3. Significant accounting policies (continued)

As previously disclosed to the market on ASX Announcement on 1 August 2023, the company intends to use the funds from the sale to explore other opportunities and for general working capital. In to this end, the company is pleased to advise that it is in advanced discussions with a high growth technology company for a potential acquisition of that business. Whilst these discussions remain incomplete at this stage, they are well advanced, and the Board hopes to make a definitive announcement in relation to this potential acquisition in the near future. As part of this proposed transaction, it is likely that contemporaneously with a capital raise and subject to the noteholders agreement, the current convertible notes on issue will be converted into equity.

The directors acknowledge that the ability of the consolidated entity to continue as a going concern is dependent on acquiring suitable businesses and raising future capital, the outcome of which is uncertain. As a result, there is material uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that may be necessary should the consolidated entity not continue as a going concern.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Historical cost convention

The financial statements have been prepared under the historical cost convention.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

#### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Design Milk Co Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.



### Note 3. Significant accounting policies (continued)

#### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### Foreign currency translation

The financial statements are presented in United States dollars, which is Design Milk Co Limited's presentation currency.

#### Foreign currency transactions

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

#### Non-US functional currency operations

The assets and liabilities of non-US functional currency operations are translated into United States dollars using the exchange rates at the reporting date. The revenues and expenses of non-US functional currency operations are translated into United States dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the year. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

#### Revenue recognition

The consolidated entity recognises revenue as follows:

##### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with the customer at the point when the customer has placed an order; identifies the performance obligation in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when the performance obligation is satisfied.

Variable consideration within the transaction price, reflects concessions provided to the customer such as promotional discounts, the right of the customer to return the goods or services, the redemption of store credit, or the redemption of gift cards. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

##### Commission from sale of goods

The consolidated entity operated e-commerce websites earning a commission for this service.

The consolidated entity determined that it did not control the goods before they were transferred to the consumer. Hence, it is an agent in these contracts as it does not have the ability to direct the use of the goods or obtain benefits from the goods. Commission is recognised on a net basis once the consolidated entity has fulfilled its obligation to the customer. The performance obligation is to facilitate the transaction between the brand partner and the end consumer, which is satisfied when the goods are dispatched to the end consumer by the brand partner.

A provision is made for commission that would be refunded if the end consumer returns the goods, and the consolidated entity uses historical data and patterns to estimate its return provision.

##### Advertising revenue

Display advertising revenue is recognised over time as advertisements are displayed. Sponsored online content revenue is recognised at the point in time when published.

### Note 3. Significant accounting policies (continued)

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. They are only recognised when there is reasonable assurance that the conditions attached to them are also satisfied.

#### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets is reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

#### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Note 3. Significant accounting policies (continued)

#### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

#### Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Furniture and fixtures	7 years
Machinery and equipment	5 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

#### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

#### Convertible notes

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is recognised as a liability and measured on the amortised cost basis until extinguished on either conversion or redemption. The remainder of the proceeds are allocated to the conversion option. Where the option may be settled for a variable number of shares, the component is a derivative liability. Where the derivative liability is not closely related to the host instrument, it is accounted for separately and carried at fair value, otherwise it is included in the carrying value of the bond and amortised. The increase in the liability due to the passage of time is recognised as a finance cost.

### Note 3. Significant accounting policies (continued)

#### Leases

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Employee benefits

##### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

##### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

##### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

#### Contributed equity

Ordinary shares are classified as equity.

### Note 3. Significant accounting policies (continued)

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.

#### Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Design Milk Co Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements or share splits in ordinary shares issued during the financial year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

#### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the consolidated entity's financial statements.

### Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted, expected volatility and vesting period. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

**Note 5. Operating segments**

*Identification of reportable operating segments*

As detailed in note 2, the consolidated entity has ceased operations with effect from June 2023 and is a non-operating investment shell. The following segment disclosures are relevant until the date of disposal of the business.

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

The directors have determined that there is one operating segment identified and located in the United States of America. The information reported to the CODM is the consolidated results of the consolidated entity.

The operating segment information is the same information as provided throughout the financial statements and is therefore not duplicated.

The information reported to the CODM is on a monthly basis.

*Major customers*

During the year ended 30 June 2023, there were no external customers (2022: Nil) where revenue exceeded 10% of the consolidated revenue.

**Note 6. Revenue**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
<i>Major product or services</i>		
Commission from sale of goods	32,994	407,997
Advertising revenue	441,504	1,089,613
	<u>474,498</u>	<u>1,497,610</u>
<i>Timing of revenue recognition</i>		
Commission from sale of goods recognised at a point in time	32,994	407,997
Services transferred at a point in time	306,421	415,130
Services recognised over time	135,083	674,483
	<u>474,498</u>	<u>1,497,610</u>

The revenue from contracts with customers is generated substantially from the United States of America.

Note 7. Other income

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Net gain on disposal of business	323,223	-
Subsidies and grants	-	210,158
Other income	6,265	39
	<hr/>	<hr/>
Other income	329,488	210,197
	<hr/> <hr/>	<hr/> <hr/>

*Net gain on disposal of business*

As detailed in note 2, following the receipt of shareholder approval on 29 May 2023, the consolidated entity completed the sale of the online business during the current financial year. The consolidated entity received US\$350,000 as consideration for the sale. The net gain on disposal of business (after asset write-offs) is included in other income above.

*Subsidies and grants (comparative year)*

Subsidies and grants related to the forgiveness of the Small Business Administration loan from Comerica Bank, which represented financial assistance as a result of the COVID-19 pandemic.

Note 8. Expenses

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	328	393
Machinery and equipment	302	322
Computer equipment	13,202	12,289
	<hr/>	<hr/>
Total depreciation	13,832	13,004
<i>Amortisation</i>		
Customer relationships	-	25,000
	<hr/>	<hr/>
Total depreciation and amortisation	13,832	38,004
<i>Employee benefit expenses</i>		
Salaries and wages	498,867	1,572,589
Share-based payments expense	-	233,553
	<hr/>	<hr/>
Total employee benefit expenses	498,867	1,806,142
<i>Finance costs</i>		
Interest and finance charges paid/payable on convertible notes	34,810	-
Bank fees paid/payable	5,479	12,247
	<hr/>	<hr/>
Finance costs expensed	40,289	12,247
	<hr/> <hr/>	<hr/> <hr/>

Note 9. Income tax expense

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(554,733)	(2,688,886)
Tax at the statutory tax rate of 21%	(116,494)	(564,666)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill and other intangible assets	-	248,500
Current year tax losses not recognised	(116,494)	(316,166)
Income tax expense	116,494	316,166
	<u>-</u>	<u>-</u>

The statutory tax rate of 21% (2022: 21%) relates to the United States of America tax jurisdiction where the main operating entity Design Milk Co. is incorporated.

	Consolidated 2023 US\$	2022 US\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	43,340,021	42,785,288
Potential tax benefit at statutory tax rates	9,101,404	8,984,910

The potential tax benefit for tax losses has not been recognised in the statement of financial position. The tax losses will begin to expire in 2030 unless previously utilised. Utilisation of the carry forward tax losses may be subject to a substantial annual limitation due to the ownership change limitations provided by the tax code if a change in ownership occurs. Any annual limitation may result in the expiration of net operating losses before utilisation.

*Sales Tax*

Sales tax is a consumption tax imposed by state governments within the United States on the sale of goods and services. It is levied at the point of sale, collected by the retailer, and passed on to the relevant State government. In June 2018 the US Supreme Court ruled in favour of States requiring internet retailers to collect sales taxes based on the existence of an economic nexus rather a physical presence. The consolidated entity will act in accordance with individual State requirements to collect and remit sales tax based on the laws within each State where it is deemed an economic nexus exists and where it has met or exceeded local sales tax thresholds.

Note 10. Cash and cash equivalents

	Consolidated 2023 US\$	2022 US\$
<i>Current assets</i>		
Cash at bank and on hand	367,973	220,024



Note 11. Trade and other receivables

	Consolidated	
	2023	2022
	US\$	US\$
<i>Current assets</i>		
Trade and other receivables	183,300	207,935
Less: Allowance for expected credit losses	(108,067)	(107,500)
	<u>75,233</u>	<u>100,435</u>

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022	2023	2022
	%	%	US\$	US\$	US\$	US\$
Not overdue	-	-	56,927	68,419	-	-
0 to 3 months overdue	-	-	18,306	31,454	-	-
Over 6 months overdue	100.00%	99.48%	108,067	108,062	108,067	107,500
			<u>183,300</u>	<u>207,935</u>	<u>108,067</u>	<u>107,500</u>

Note 12. Other assets

	Consolidated	
	2023	2022
	US\$	US\$
<i>Current assets</i>		
Prepayments	4,352	18,204
GST receivable	-	3,149
	<u>4,352</u>	<u>21,353</u>

Note 13. Property, plant and equipment

	Consolidated	
	2023	2022
	US\$	US\$
<i>Non-current assets</i>		
Furniture and fixtures - at cost	2,000	7,498
Less: Accumulated depreciation	(2,000)	(6,032)
	-	1,466
Machinery and equipment - at cost	1,016	26,858
Less: Accumulated depreciation	(610)	(25,792)
	406	1,066
Computer equipment - at cost	-	116,342
Less: Accumulated depreciation	-	(79,293)
	-	37,049
	<u>406</u>	<u>39,581</u>

**Note 13. Property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Furniture and fixtures US\$	Machinery and equipment US\$	Computer equipment US\$	Total US\$
Balance at 1 July 2021	1,859	1,388	4,139	7,386
Additions	-	-	45,199	45,199
Depreciation expense	(393)	(322)	(12,289)	(13,004)
Balance at 30 June 2022	1,466	1,066	37,049	39,581
Write off of assets	(1,138)	(358)	(23,847)	(25,343)
Depreciation expense	(328)	(302)	(13,202)	(13,832)
Balance at 30 June 2023	-	406	-	406

**Note 14. Trade and other payables**

	<b>Consolidated</b>	
	2023	2022
	US\$	US\$
<i>Current liabilities</i>		
Trade payables	86,124	68,056
Accrued expenses	337,294	97,894
GST payable	2,963	-
Other payables	40,303	-
	<u>466,684</u>	<u>165,950</u>

Refer to note 20 for further information on financial instruments.

**Note 15. Convertible notes**

	<b>Consolidated</b>	
	2023	2022
	US\$	US\$
<i>Non-current liabilities</i>		
Convertible notes payable	353,246	-
Interest payable on convertible notes	21,760	-
Capitalised transaction costs relating to convertible notes	(29,255)	-
	<u>345,751</u>	<u>-</u>

On 7 December 2022, the company issued 5,328 convertible notes at a face value of A\$100 each amounting to a total borrowing of US\$359,909 (excluding borrowing cost of \$36,388). The convertible note included the conversion of the US\$137,000 short-term facility into a 3-year convertible note facility. The convertible notes carry interest at 12% per annum. The notes are unsecured and have a 36-month term maturing on 7 December 2025. The noteholders have the option to seek repayment or alternatively convert the notes into a variable number of ordinary shares dependent upon the value of the company's shares at the time of conversion.

**Note 15. Convertible notes (continued)**

If the noteholders choose to convert, the conversion price is expected to be between A\$0.05 and A\$0.07. Further, the noteholders are entitled to one free attaching option for every two shares issued on conversion, exercisable at A\$0.15 per option on or before 31 October 2027.

**Note 16. Other liabilities**

	Consolidated	
	2023	2022
	US\$	US\$
<i>Current liabilities</i>		
Sales tax payable	-	5,660

**Note 17. Contributed equity**

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	US\$	US\$
Ordinary shares - fully paid	36,292,792	36,292,792	57,004,215	57,004,215

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

*Share buy-back*

There was no buy-back of shares during the current year.

*Capital risk management*

The consolidated entity's objectives when managing capital are 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 optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

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Note 18. Reserves

	Consolidated	
	2023	2022
	US\$	US\$
Foreign currency reserve	53,742	46,982
Share-based payments reserve	1,454,885	1,454,885
Share acquisition reserve	266,666	266,666
	<u>1,775,293</u>	<u>1,768,533</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of non-US functional currency operations to United States dollars.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Share acquisition reserve*

The reserve is used to recognise equity benefits provided to the vendors on the acquisition of subsidiaries. This includes the fair value of shares and options which are expected to be converted into issued capital in the future.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve US\$	Share-based payments reserve US\$	Share acquisition reserve US\$	Total US\$
Balance at 1 July 2021	116,715	1,221,332	266,666	1,604,713
Foreign currency translation	(69,733)	-	-	(69,733)
Share-based payments	-	233,553	-	233,553
Balance at 30 June 2022	46,982	1,454,885	266,666	1,768,533
Foreign currency translation	6,760	-	-	6,760
Balance at 30 June 2023	<u>53,742</u>	<u>1,454,885</u>	<u>266,666</u>	<u>1,775,293</u>

Note 19. Dividends

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

Note 20. Financial instruments

**Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Note 20. Financial instruments (continued)

**Market risk**

*Foreign currency risk*

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The consolidated entity is not exposed to any significant foreign currency risk.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity is not exposed to any significant interest rate risk.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

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

Consolidated - 2023	Weighted average interest rate %	1 year or less US\$	Between 1 and 2 years US\$	Between 2 and 5 years US\$	Over 5 years US\$	Remaining contractual maturities US\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	86,124	-	-	-	86,124
Other payables	-	40,303	-	-	-	40,303
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable (including interest)	12.00%	-	-	489,476	-	489,476
<b>Total non-derivatives</b>		126,427	-	489,476	-	615,903

**Note 20. Financial instruments (continued)**

Consolidated - 2022	Weighted average interest rate %	1 year or less US\$	Between 1 and 2 years US\$	Between 2 and 5 years US\$	Over 5 years US\$	Remaining contractual maturities US\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	68,056	-	-	-	68,056
Total non-derivatives		<u>68,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,056</u>

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

**Note 21. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Note 22. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Crowe Sydney, the auditor of the company:

	Consolidated Discontinued operations 2023 US\$	Consolidated Discontinued operations 2022 US\$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	<u>43,095</u>	<u>50,743</u>

The fee above relates to auditing the statutory financial report of the parent company covering the consolidated entity and auditing the statutory financial reports of any controlled entities.

**Note 23. Contingent assets and liabilities**

There were no contingent assets or contingent liabilities which would have a material effect on the consolidated entity's financial statements as at 30 June 2023 and 30 June 2022.

**Note 24. Commitments**

The consolidated entity had no commitments as at 30 June 2023 and 30 June 2022.

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**Note 25. Key management personnel disclosures**

*Compensation*

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

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Short-term employee benefits	336,100	254,285
Share-based payments	-	233,552
	<u>336,100</u>	<u>487,837</u>

**Note 26. Related party transactions**

*Parent entity*

Design Milk Co Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 28.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Payment for other expenses:		
Interest paid or payable on convertible notes to key management personnel	3,547	-

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2023 US\$	2022 US\$
Non-current borrowings:		
Convertible notes from key management personnel	50,663	-
Interest payable on the above convertible notes to key management personnel	3,547	-

*Terms and conditions*

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

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**Note 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	Parent Discontinued operations 2023 US\$	Parent Discontinued operations 2022 US\$
Loss after income tax	(546,114)	(383,914)
Total comprehensive income	(546,114)	(383,914)

*Statement of financial position*

	Parent 2023 US\$	Parent 2022 US\$
Total current assets	20,216	166,049
Total assets	20,216	166,049
Total current liabilities	101,562	53,792
Total liabilities	447,313	53,792
Equity		
Contributed equity	28,144,835	28,144,835
Foreign currency reserve	53,742	46,982
Share-based payments reserve	1,454,885	1,454,885
Accumulated losses	(30,080,559)	(29,534,445)
Total equity/(deficiency)	(427,097)	112,257

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.



**Note 28. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
AHL-KM Co. (formerly Design Milk Co.)	United States of America	100%	100%
AHA Life LLC	United States of America	100%	100%
AHL Holdings, LLC (formerly Design Milk Holdings, LLC)	United States of America	100%	100%

**Note 29. Earnings per share**

	Consolidated Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Loss after income tax attributable to the owners of Design Milk Co Limited	<u>(554,733)</u>	<u>(2,688,886)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>36,292,792</u>	<u>36,292,792</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>36,292,792</u>	<u>36,292,792</u>
	Cents	Cents
Basic earnings per share	(1.53)	(7.41)
Diluted earnings per share	(1.53)	(7.41)

For the purpose of calculating the diluted earnings per share, the weighted average number of shares used has excluded 2,289,844 options (2022: 2,520,295) and 861,090 performance rights (2022: 861,090) as the effect would be anti-dilutive.

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Note 30. Cash flow information

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

	Consolidated	
	Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Loss after income tax expense for the year	(554,733)	(2,688,886)
Adjustments for:		
Depreciation and amortisation	13,832	38,004
Impairment expenses	-	1,183,333
Share-based payments	-	233,553
Other income - non-cash adjustment to borrowings	-	(210,158)
Other non-cash adjustments	-	(69,733)
Financing expenses	34,809	-
Net gain on disposal of business	(323,223)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	25,202	251,379
Decrease in inventories	6,009	15,030
Decrease in prepayments	13,852	13,847
Decrease in other operating assets	3,149	2,673
Increase/(decrease) in trade and other payables	287,821	(4,378)
(Decrease)/increase in contract liabilities	(32,290)	(169,731)
Net cash used in operating activities	<u>(525,572)</u>	<u>(1,405,067)</u>

Non-cash investing and financing activities

	Consolidated	
	Discontinued operations 2023 US\$	Discontinued operations 2022 US\$
Non-cash adjustment of paycheck protection programme loan to other income	-	210,158

Changes in liabilities arising from financing activities

Consolidated	Convertible notes US\$	Short term borrowings US\$
Balance at 1 July 2021	210,158	-
Loan waiver recognised as other income (note 7)	(210,158)	-
Balance at 30 June 2022	-	-
Net cash from financing activities	222,909	137,000
Exchange differences	(6,663)	-
Conversion of short-term loans to convertible notes	137,000	(137,000)
Balance at 30 June 2023	<u>353,246</u>	<u>-</u>

**Note 31. Share-based payments**

The consolidated entity has a long-term incentive plan ('LTIP') which provides eligible employees with an additional incentive to work to improve the performance of the consolidated entity by granting options or rights to acquire shares.

During the financial year Nil (2022: 1,200,000) options valued at US\$ Nil (2022: \$233,553) were granted.

The share-based payments expense for the year was US\$ Nil (2022: US\$233,553).

Set out below are summaries of options granted under the plan:

2023			Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Exercise price	Expiry date					
27/07/2015	US\$4.55	08/11/2022	3,584	-	-	(3,584)	-
27/07/2015	US\$4.90	22/03/2023	6,531	-	-	(6,531)	-
27/07/2015	US\$4.90	31/07/2023	1,274	-	-	-	1,274
27/07/2015	US\$4.75	19/08/2024	6,531	-	-	-	6,531
27/07/2015	US\$20.00	27/07/2025	318	-	-	-	318
30/07/2018	A\$0.70	30/07/2028	236,737	-	-	(220,336)	16,401
27/11/2019	A\$0.65	27/11/2024	565,320	-	-	-	565,320
30/11/2020	A\$0.40	30/11/2025	500,000	-	-	-	500,000
23/11/2021	A\$0.50	23/11/2024	1,200,000	-	-	-	1,200,000
			<u>2,520,295</u>	<u>-</u>	<u>-</u>	<u>(230,451)</u>	<u>2,289,844</u>
2022			Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Exercise price	Expiry date					
27/07/2015	US\$4.25	05/10/2021	9,549	-	-	(9,549)	-
27/07/2015	US\$4.25	26/10/2021	3,266	-	-	(3,266)	-
27/07/2015	US\$4.55	08/11/2022	3,584	-	-	-	3,584
27/07/2015	US\$4.90	22/03/2023	6,531	-	-	-	6,531
27/07/2015	US\$4.90	31/07/2023	1,274	-	-	-	1,274
27/07/2015	US\$4.75	19/08/2024	6,531	-	-	-	6,531
27/07/2015	US\$20.00	27/07/2025	318	-	-	-	318
30/07/2018	A\$0.70	30/07/2028	236,737	-	-	-	236,737
27/11/2019	A\$0.65	27/11/2024	565,320	-	-	-	565,320
30/11/2020	A\$0.40	30/11/2025	500,000	-	-	-	500,000
23/11/2021	A\$0.50	23/11/2024	-	1,200,000	-	-	1,200,000
			<u>1,333,110</u>	<u>1,200,000</u>	<u>-</u>	<u>(12,815)</u>	<u>2,520,295</u>

1,071,606 options disclosed above are issued to the participants but not yet vested as at 30 June 2023 (2022: 1,302,057).

1,218,238 options outstanding as at 30 June 2023 have vested and are exercisable (2022: 1,218,238).

The weighted average share price during the financial year was US\$0.20/A\$0.30 (2022: US\$0.26/A\$0.37). The company's share trading on the Australian Securities Exchange has been suspended since July 2022.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.67 years (2022: 5.6 years).

**Performance rights**

861,090 performance rights have vested and are exercisable as at 30 June 2023 (2022: 861,090).

**Note 32. Events after the reporting period**

The company is pleased to advise that it is in advanced discussions with a high growth technology company for a potential acquisition of that business. Whilst these discussions remain incomplete at this stage, they are well advanced, and the Board hopes to make a definitive announcement in relation to this potential acquisition in the near future. As part of this proposed transaction, it is highly likely that contemporaneously with a capital raise and subject to the noteholders agreement, the current convertible notes on issue will be converted into equity.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Design Milk Co Limited  
Directors' declaration  
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



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Mike Hill  
Chairman

31 August 2023  
Sydney

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# Independent Auditor's Report to the Members of Design Milk Co Limited

## Report on the Audit of the Financial Report

### Opinion

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

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

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended;
- (b) and 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 Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

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## Material uncertainty related to going concern

We draw attention to Note 3 of the financial report, which indicates that the Consolidated Entity has incurred a loss before tax of \$554,733 for year ended June 30 2023 and net operating cash outflows during the same period amounted to \$525,572. As at 30 June 2023, the Consolidated Entity has net current liabilities of \$28,916 and net liabilities of \$374,261. In June 2023, the operating assets of the business were sold, and the Statement of Profit or Loss for the current year has been presented as a Discontinued Operation. These conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
<p><b>Disposal of assets of the business and disclosure of the current year results as a discontinued operation</b></p> <p><i>Refer to Statement of Profit or Loss and Note 2</i></p>	
<p>During the first half of the financial year ended 30 June 2023, the eCommerce operations of the business were closed down, as the operations transitioned to a revenue only advertising model.</p> <p>As announced in April 2023, the assets of the Consolidated Entity's remaining online advertising business were agreed to be sold for USD350,000. Following receipt of shareholder approval, the sale was completed in June 2023.</p> <p>Given the complexity of the accounting and significance of the disposal transaction to the current year financial statements, this is considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Inspected the Asset Purchase Agreement relating to the disposal transaction to understand the terms and conditions of the sale.</li> <li>Evaluated the substance of the sale against the criteria for discontinued operations as per AASB 5: <i>Non-current Assets Held for Sale and Discontinued Operations</i> ("AASB 5).</li> <li>Checked receipt of sale consideration proceeds to bank.</li> <li>Performed procedures to ensure the accuracy and appropriate cut off of transactions on the date of sale.</li> <li>Recalculated the gain on disposal as recorded in the Statement of Profit or Loss.</li> <li>Considered the adequacy of the related disclosures contained in the financial statements in line with AASB 5.</li> </ul>
<p><b>Revenue Recognition</b></p> <p><i>Refer to Note 3 and Note 6</i></p>	
<p>Prior to the June 2023 disposal transaction, the Consolidated Entity generated revenue from advertising and from commission from sale of goods. The Consolidated Entity's accounting policies for the recognition of revenue are outlined in Note 3 to the financial statements.</p> <p>As disclosed in Note 3 and Note 6 to the financial statements, the Consolidated Entity's revenue streams are either recognised over time or at a point in time, depending on the identified performance obligations.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Assessed whether the revenue recognition accounting policy applied to the terms and conditions of the sale is in accordance with Australian Accounting Standard AASB 15 <i>Revenue from Contracts with Customers</i>.</li> <li>Selected a sample of advertising transactions to check the occurrence of revenue by tracing through to evidence of displayed or published advertisement, contracts with customers and to cash received in to bank.</li> </ul>

Due to the differing revenue recognition criteria and high volume of sales transactions, revenue recognition is considered to be a key audit matter.

- Agreed commission from sale of goods to independent third party gross sales reports and performed gross margin assessment. This revenue stream was discontinued in August 2022.
- Performed analytical review procedures by revenue stream.
- Considered the adequacy of the revenue related disclosures contained in the financial statements.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one



resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the Consolidated Entity financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for the 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 with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report from pages 7 to 13 of the annual report for the year ended 30 June 2023.

In our opinion, the remuneration report of Design Milk Co Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Crowe Sydney*

**Crowe Sydney**

*B Rd*

**Barbara Richmond**  
Partner

31 August 2023  
Sydney

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Directors	Mike Hill - Non-Executive Chairman Christopher Colfer - Non-Executive Director Arnaud Massenet - Non-Executive Director Byran Michael Zekulich - Non-Executive Director Andrew Whitten - Non-Executive Director
Company secretary	Sapir Elias
Registered office and Principal place of business	Level 5, 126 Phillip Street Sydney, NSW 2000 Australia Tel: 1300 266 517 or +61 2 8072 1400
Share register	Automic Registry Services Level 5, 126 Phillip Street, Sydney, NSW 2000 Tel: 02 9698 5414 Email: hello@automic.com.au
Auditor	Crowe Sydney Level 24, 1 O'Connell Street Sydney NSW 2000
Stock exchange listing	Design Milk Co Limited shares are listed on the Australian Securities Exchange (ASX code: DMC)
Website	<a href="http://www.design-milk.com">www.design-milk.com</a>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Design Milk Co Limited in an ethical manner and in accordance with the highest standards of corporate governance. Design Milk Co Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The consolidated entity's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the company's website at <a href="https://design-milk.com/design-milk-co-investor-relations/">https://design-milk.com/design-milk-co-investor-relations/</a></p>

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The shareholder information set out below was applicable as at 21 August 2023.

#### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	208	0.12
1,001 to 5,000	124	0.80
5,001 to 10,000	47	0.94
10,001 to 100,000	99	9.33
100,001 and over	57	88.81
	<u>535</u>	<u>100.00</u>
Holding less than a marketable parcel	-	

#### Equity security holders

##### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	6,820,148	18.79
EARLY FORCE PTY LTD	4,076,602	11.23
J P MORGAN NOMINEES AUSTRALIA	3,913,156	10.78
BOATLIFE HOLDINGS PTY LTD	1,386,190	3.82
BROOKAVA PTY LTD	1,367,722	3.77
DMX CAPITAL PARTNERS	916,667	2.53
CRANPORT PTY LTD	900,000	2.48
ONMELL PTY LTD	852,438	2.35
REUNION INVESTMENTS PTY LTD	621,064	1.71
JARUMITO PTY LTD	588,168	1.62
NETWEALTH INVESTMENTS LIMITED	562,141	1.55
JETSEA PTY LTD	560,000	1.54
ARNAUD MASSENET	500,000	1.38
ANTOINE HADDAD	500,000	1.38
JMR CAPITAL LIMITED	500,000	1.38
MARK MOORE	461,538	1.27
GAILFORCE MARKETING & PR PTY LIMITED	438,857	1.21
MCROD INVESTMENTS PTY LIMITED	392,857	1.08
RASK PTY LTD	372,667	1.03
BNP PARIBAS NOMINEES PTY LTD	301,004	0.83
	<u>26,031,219</u>	<u>71.73</u>

#### Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	2,288,889	28
Performance rights over ordinary shares issued	861,090	1

Design Milk Co Limited  
Shareholder information  
30 June 2023

**Substantial holders**

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	6,820,148	18.79
EARLY FORCE PTY LTD	4,076,602	11.23
J P MORGAN NOMINEES AUSTRALIA	3,913,156	10.78

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

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

There are no other classes of equity securities.

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