

Design Milk Co Limited

ABN 15 006 908 701

Annual Report - 30 June 2024

Design Milk Co Limited
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30 June 2024

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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 2024.

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
Bryan Michael Zekulich
David Willington (appointed on 1 August 2024)
Christopher Colfer (resigned on 30 November 2023)
Arnaud Massenet (resigned on 30 November 2023)
Andrew Whitten (resigned on 1 August 2024)

Principal activities

With the disposal of the main operating business in June 2023, all activities of the consolidated entity have ceased. During the financial year, the consolidated entity is an investment vehicle exploring future business opportunities.

Significant changes in the state of affairs

There were no 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 A\$300,902 (30 June 2023: A\$825,779).

The disposal of the main operating business in the second half of the previous financial year has resulted in reduced revenue and expenditure compared to the previous financial year. The expenditure for the current financial year was limited to professional fees, administrative expenditure and finance costs.

Matters subsequent to the end of the financial year

Effective 2 August 2024, the shares of Design Milk Co Limited were removed from the official list by the Australian Securities Exchange. With effect from delisting, the status of the company changed from a listed public company to an unlisted public company.

On 19 August 2024, Design Milk Co Limited announced its intention to acquire all of the fully paid ordinary shares in Orbx Limited, an unlisted Australian public company that creates digital simulated environments for the gaming and business markets. The transaction with Orbx Limited is proposed to be undertaken by an off-market takeover bid with an all-scrip offer to the holders of shares in Orbx Limited. The transaction with Orbx Limited is subject to a number of conditions which are common for a transaction of this nature. If successful, the transaction is anticipated to complete in or around November 2024.

No other matter or circumstance has arisen since 30 June 2024 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.

Likely developments and expected results of operations

The consolidated entity expects to proceed with the Orbx Limited transaction, as per the announcement dated 19 August 2024. This is further described in the 'Matters subsequent to the end of the financial year' section of this report.

Information on directors

Name:	Mike Hill
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.

Special responsibilities: Member of the Audit and Risk Committee

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.

Special responsibilities: Member of the Audit and Risk Committee

Name: **David Willington (appointed on 1 August 2024)**
 Title: Non-Executive Director
 Qualifications: David has a Bachelor of Commerce, is a member of Chartered Accountants in Australia and New Zealand and is a Fellow of the Financial Services Institute of Australia.

Experience and expertise: Mr Willington is a Portfolio Manager and Managing Partner at Bombora Group. Mr Willington has over 25 years' experience in corporate finance and investment banking and during his career has primarily advised companies in the technology, media and telecommunications industries. Previously, David was a Senior Partner at Deloitte Corporate Finance and prior to that was an investment banker with NM Rothschild and Citi. David is the Chairman of ezyCollect Holdings Limited.

Name: **Andrew Whitten (resigned on 1 August 2024)**
 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.

Special responsibilities: None

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 2024, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit and Risk Committee Attended	Audit and Risk Committee Held
Mike Hill	5	5	2	2
Bryan Michael Zekulich	5	5	2	2
Christopher Colfer	2	2	2	2
Arnaud Massenet	2	2	-	-
Andrew Whitten	5	5	-	-

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

Environmental regulation

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

Shares under option

There were 2,288,570 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 2024 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 2024 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.

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

16 September 2024
Sydney

Auditor's Independence Declaration Under Section 307c of the *Corporations Act 2001* to the Directors of Design Milk Co Limited

As lead engagement partner, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely,



Crowe Sydney



Barbara Richmond
Partner

16 September 2024
Sydney

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Design Milk Co Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

		Consolidated	
		Discontinued operations	Discontinued operations
	Note	2024	2023
		A\$	A\$
Revenue			
Commission from sale of goods		6,627	49,172
Advertising revenue		-	657,979
Total sales revenue	5	6,627	707,151
Other income	6	17,672	491,040
Interest revenue calculated using the effective interest method		130	29
Expenses			
Employee benefit expenses		-	(761,065)
Contractors and commission expenses		-	(193,665)
Marketing expenses		-	(99,955)
Technology expenses		(411)	(101,325)
Freight and warehousing expenses		-	(24,424)
Occupancy and administrative expenses		(32,133)	(63,434)
Professional fees		(205,573)	(699,659)
Depreciation and amortisation expenses	7	(103)	(20,614)
Finance costs	7	(87,111)	(59,858)
Loss before income tax expense		(300,902)	(825,779)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Design Milk Co Limited		(300,902)	(825,779)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(5,080)	17,412
Other comprehensive income for the year, net of tax		(5,080)	17,412
Total comprehensive income for the year attributable to the owners of Design Milk Co Limited		(305,982)	(808,367)

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 2024

	Note	2024 A\$	Consolidated 2023 A\$	2022 A\$
Assets				
Current assets				
Cash and cash equivalents	9	178,365	555,012	319,373
Trade and other receivables	10	7,905	113,474	145,769
Inventories		-	-	8,721
Prepayments		-	6,564	30,992
Total current assets		<u>186,270</u>	<u>675,050</u>	<u>504,855</u>
Non-current assets				
Property, plant and equipment		537	613	57,447
Total non-current assets		<u>537</u>	<u>613</u>	<u>57,447</u>
Total assets		<u>186,807</u>	<u>675,663</u>	<u>562,302</u>
Liabilities				
Current liabilities				
Trade and other payables	11	430,690	703,898	240,866
Contract liabilities		14,780	6,491	61,075
Other liabilities		-	-	8,215
Total current liabilities		<u>445,470</u>	<u>710,389</u>	<u>310,156</u>
Non-current liabilities				
Convertible notes	12	603,540	521,495	-
Total non-current liabilities		<u>603,540</u>	<u>521,495</u>	<u>-</u>
Total liabilities		<u>1,049,010</u>	<u>1,231,884</u>	<u>310,156</u>
Net assets/(liabilities)		<u>(862,203)</u>	<u>(556,221)</u>	<u>252,146</u>
Equity				
Contributed equity	13	77,044,926	77,044,926	77,044,926
Reserves	14	3,582,330	3,587,410	3,569,998
Accumulated losses		(81,489,459)	(81,188,557)	(80,362,778)
Total equity/(deficiency)		<u>(862,203)</u>	<u>(556,221)</u>	<u>252,146</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 2024

Consolidated	Contributed equity A\$	Reserves A\$	Accumulated losses A\$	Total deficiency in equity A\$
Balance at 1 July 2022	77,044,926	3,569,998	(80,362,778)	252,146
Loss after income tax expense for the year	-	-	(825,779)	(825,779)
Other comprehensive income for the year, net of tax	-	17,412	-	17,412
Total comprehensive income for the year	-	17,412	(825,779)	(808,367)
Balance at 30 June 2023	<u>77,044,926</u>	<u>3,587,410</u>	<u>(81,188,557)</u>	<u>(556,221)</u>

Consolidated	Contributed equity A\$	Reserves A\$	Accumulated losses A\$	Total deficiency in equity A\$
Balance at 1 July 2023	77,044,926	3,587,410	(81,188,557)	(556,221)
Loss after income tax expense for the year	-	-	(300,902)	(300,902)
Other comprehensive income for the year, net of tax	-	(5,080)	-	(5,080)
Total comprehensive income for the year	-	(5,080)	(300,902)	(305,982)
Balance at 30 June 2024	<u>77,044,926</u>	<u>3,582,330</u>	<u>(81,489,459)</u>	<u>(862,203)</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 2024

		Consolidated Discontinued operations	Discontinued operations
	Note	2024 A\$	2023 A\$
Cash flows from operating activities			
Receipts from customers		120,485	678,062
Payments to suppliers and employees		(509,868)	(1,444,256)
Interest received		130	29
Receipts from other income		17,672	9,336
Interest and other finance costs paid		(5,066)	(8,166)
Net cash used in operating activities	25	(376,647)	(764,995)
Cash flows from investing activities			
Proceeds from disposal of business	6	-	524,031
Net cash from investing activities		-	524,031
Cash flows from financing activities			
Proceeds from convertible notes issues	12,25	-	330,586
Proceeds from short-term debts (subsequently converted to convertible notes)	12,25	-	202,214
Transaction costs paid relating to convertible notes		-	(56,197)
Net cash from financing activities		-	476,603
Net increase/(decrease) in cash and cash equivalents		(376,647)	235,639
Cash and cash equivalents at the beginning of the financial year		555,012	319,373
Cash and cash equivalents at the end of the financial year	9	178,365	555,012

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 Australian 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.

Change in presentation currency

As noted in note 6, the company has disposed the main operating entity in June 2023. Until the disposal of the main operating entity, the presentation currency of the consolidated entity was in United States Dollars. With the disposal of the main operating business all activities of the consolidated entity have ceased. As a result, the presentation currency in the financial statements has changed from United States dollars to Australian dollars to reflect Design Milk Co Limited Australian parent's functional and presentation currency. The comparative information has been re-presented to the Australian dollar presentation currency.

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

Level 5, 126 Phillip Street
Sydney, NSW 2000
Australia

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 16 September 2024. 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 (about A\$524,031). 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. Material accounting policy information

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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 2024, the consolidated entity incurred a net loss after tax of A\$300,902 (2023: loss of A\$825,779) and net cash outflows used in operating activities of A\$376,647 (2023: A\$764,995). As at 30 June 2024, the

Note 3. Material accounting policy information (continued)

consolidated entity had cash and cash equivalents of A\$178,365 (2023: A\$555,012), deficiency in equity of A\$862,203 (2023: deficiency in equity of A\$556,221) and net current liabilities of A\$259,200 (2023: Net current liabilities of A\$35,339).

With the disposal of the main operating business in June 2023, all activities of the consolidated entity have ceased. The company has received a non-legally binding undertaking of financial support from directors noting that they will support the company in meeting its current debts.

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 23.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Design Milk Co Limited as at 30 June 2024 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. Material accounting policy information (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is Design Milk Co Limited's functional and 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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. 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.

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.

Note 3. Material accounting policy information (continued)

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.

Other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

Contributed equity

Ordinary shares are classified as equity.

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

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.

Note 3. Material accounting policy information (continued)

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 2024. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard replaces AASB 101 'Presentation of Financial Statements', although many of the requirements have been carried forward unchanged and is accompanied by limited amendments to the requirements in AASB 107 'Statement of Cash Flows'. The standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The consolidated entity will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

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.

Going concern

To support the going concern assumption, key judgements and estimates have been made relating to future business acquisitions and the availability of ongoing financial support.

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated Discontinued operations 2024 A\$	Consolidated Discontinued operations 2023 A\$
<i>Major product or services</i>		
Commission from sale of goods	6,627	49,172
Advertising revenue	-	657,979
	<u>6,627</u>	<u>707,151</u>
<i>Timing of revenue recognition</i>		
Commission from sale of goods recognised at a point in time	6,627	49,172
Services transferred at a point in time	-	456,663
Services recognised over time	-	201,316
	<u>6,627</u>	<u>707,151</u>

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

Note 6. Other income

	Consolidated Discontinued operations 2024 A\$	Consolidated Discontinued operations 2023 A\$
Net gain on disposal of business	-	481,704
Other income	<u>17,672</u>	<u>9,336</u>
Other income	<u>17,672</u>	<u>491,040</u>

Net gain on disposal of business (comparative year)

Following the receipt of shareholder approval on 29 May 2023, the consolidated entity completed the sale of the online business during the previous financial year. The consolidated entity received US\$350,000 (about A\$524,031) as consideration for the sale. The net gain on disposal of business (after asset write-offs) is included in other income above.

Note 7. Expenses

	Consolidated Discontinued operations 2024 A\$	Consolidated Discontinued operations 2023 A\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	-	489
Machinery and equipment	103	450
Computer equipment	-	19,675
Total depreciation	103	20,614
<i>Finance costs</i>		
Interest and finance charges paid/payable on convertible notes	82,045	51,693
Bank fees paid/payable	5,066	8,165
Finance costs expensed	87,111	59,858

Note 8. Income tax expense

	Consolidated Discontinued operations 2024 A\$	Consolidated Discontinued operations 2023 A\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(300,902)	(825,779)
Tax at the statutory tax rate of 25% (2023: 21%)	(75,226)	(173,414)
Current year tax losses not recognised	75,226	173,414
Income tax expense	-	-

The statutory tax rate of 25% relates to the Australian tax jurisdiction. The comparative period tax rate of 21% relates to the United States of America tax jurisdiction where the main operating entity operated up to the date of sale.

	Consolidated 2024 A\$	Consolidated 2023 A\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	65,670,466	65,369,564
Potential tax benefit at statutory tax rates	13,802,834	13,727,608

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.

Note 9. Cash and cash equivalents

	Consolidated 2024 A\$	2023 A\$
<i>Current assets</i>		
Cash at bank and on hand	178,365	555,012

Note 10. Trade and other receivables

	Consolidated 2024 A\$	2023 A\$
<i>Current assets</i>		
Trade and other receivables	163,145	276,471
Less: Allowance for expected credit losses	(163,145)	(162,997)
	-	113,474
GST receivable	7,905	-
	7,905	113,474

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
Consolidated	%	%	A\$	A\$	A\$	A\$
Not overdue	-	-	-	85,863	-	-
0 to 3 months overdue	-	-	-	27,611	-	-
Over 6 months overdue	100.00%	100.00%	163,145	162,997	163,145	162,997
			163,145	276,471	163,145	162,997

Note 11. Trade and other payables

	Consolidated 2024 A\$	2023 A\$
<i>Current liabilities</i>		
Trade payables	138,249	129,901
Accrued expenses	71,398	508,738
GST payable	-	4,470
Other payables	221,043	60,789
	430,690	703,898

Refer to note 16 for further information on financial instruments.

Note 12. Convertible notes

	Consolidated 2024 A\$	2023 A\$
<i>Non-current liabilities</i>		
Convertible notes payable	532,800	532,800
Interest payable on convertible notes	96,756	32,820
Capitalised transaction costs relating to convertible notes	(26,016)	(44,125)
	<u>603,540</u>	<u>521,495</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 A\$532,800 (excluding borrowing cost). The convertible notes carry interest at 12% per annum. The notes are unsecured and have a 36-month term maturing on 7 December 2025. At maturity, 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.

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 13. Contributed equity

	2024 Shares	Consolidated 2023 Shares	2024 A\$	2023 A\$
Ordinary shares - fully paid	<u>36,292,792</u>	<u>36,292,792</u>	<u>77,044,926</u>	<u>77,044,926</u>

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.

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.

Note 14. Reserves

	Consolidated 2024 A\$	2023 A\$
Foreign currency reserve	1,135,999	1,141,079
Share-based payments reserve	2,073,163	2,073,163
Share acquisition reserve	373,168	373,168
	<u>3,582,330</u>	<u>3,587,410</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian 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 A\$	Share-based payments reserve A\$	Share acquisition reserve A\$	Total A\$
Balance at 1 July 2022	1,123,667	2,073,163	373,168	3,569,998
Foreign currency translation	17,412	-	-	17,412
Balance at 30 June 2023	1,141,079	2,073,163	373,168	3,587,410
Foreign currency translation	(5,080)	-	-	(5,080)
Balance at 30 June 2024	<u>1,135,999</u>	<u>2,073,163</u>	<u>373,168</u>	<u>3,582,330</u>

Note 15. Dividends

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

Note 16. 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 16. 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.

	Weighted average interest rate %	1 year or less A\$	Between 1 and 2 years A\$	Between 2 and 5 years A\$	Over 5 years A\$	Remaining contractual maturities A\$
Consolidated - 2024						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	138,249	-	-	-	138,249
Other payables	-	221,043	-	-	-	221,043
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable (including interest)	12.00%	-	724,608	-	-	724,608
Total non-derivatives		359,292	724,608	-	-	1,083,900

Note 16. Financial instruments (continued)

Consolidated - 2023	Weighted average interest rate %	1 year or less A\$	Between 1 and 2 years A\$	Between 2 and 5 years A\$	Over 5 years A\$	Remaining contractual maturities A\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	129,901	-	-	-	129,901
Other payables	-	60,789	-	-	-	60,789
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable (including interest)	12.00%	-	-	724,608	-	724,608
Total non-derivatives		190,690	-	724,608	-	915,298

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

Note 17. 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 18. 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 2024 A\$	Discontinued operations 2023 A\$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	32,000	64,225

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 19. 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 2024 and 30 June 2023.

Note 20. Commitments

The consolidated entity had no commitments as at 30 June 2024 and 30 June 2023.

Note 21. 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 2024 A\$	Consolidated Discontinued operations 2023 A\$
Short-term employee benefits	-	500,894

Note 22. Related party transactions

Parent entity

Design Milk Co Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 21.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Discontinued operations 2024 A\$	Consolidated Discontinued operations 2023 A\$
Payment for other expenses:		
Interest paid or payable on convertible notes to key management personnel and director related entities	25,920	13,305

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 2024 A\$	Consolidated 2023 A\$
Non-current borrowings:		
Convertible notes from key management personnel and director related entities	216,000	216,000
Interest payable on the above convertible notes	39,225	13,305

Terms and conditions

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

Note 23. 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 2024 A\$	Parent Discontinued operations 2023 A\$
Loss after income tax	(289,044)	(327,198)
Total comprehensive income	(289,044)	(327,198)

Statement of financial position

	Parent 2024 A\$	Parent 2023 A\$
Total current assets	39,974	30,492
Total assets	39,974	30,492
Total current liabilities	110,022	153,185
Total liabilities	713,562	674,680
Equity		
Contributed equity	47,661,846	47,661,846
Share-based payments reserve	1,985,070	1,985,070
Accumulated losses	(50,320,504)	(50,291,104)
Total deficiency in equity	(673,588)	(644,188)

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 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

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 24. 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	
		2024 %	2023 %
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 25. Cash flow information

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

	Consolidated Discontinued operations 2024 A\$	Discontinued operations 2023 A\$
Loss after income tax expense for the year	(300,902)	(825,779)
Adjustments for:		
Depreciation and amortisation	103	20,614
Other non-cash adjustments	-	(4,559)
Non-cash interest on convertible notes	82,045	51,692
Net gain on disposal of business	-	(481,704)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	105,569	25,495
Decrease in inventories	-	8,721
Decrease in prepayments	6,564	19,857
Decrease in other operating assets	-	4,571
Increase/(decrease) in trade and other payables	(278,315)	470,681
Increase/(decrease) in contract liabilities	8,289	(54,584)
Net cash used in operating activities	<u>(376,647)</u>	<u>(764,995)</u>

Changes in liabilities arising from financing activities

Consolidated	Convertible notes A\$	Short term borrowings A\$	Total A\$
Balance at 1 July 2022	-	-	-
Net cash from financing activities	330,586	202,214	532,800
Conversion of short-term loans to convertible notes	202,214	(202,214)	-
Balance at 30 June 2023	<u>532,800</u>	<u>-</u>	<u>532,800</u>
Balance at 30 June 2024	<u>532,800</u>	<u>-</u>	<u>532,800</u>

Note 26. 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 (2023: Nil) options were granted. The share-based payments expense for the year was A\$ Nil (2023: A\$ Nil).

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

2024			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\$4.90	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	16,401	-	-	-	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>2,289,844</u>	<u>-</u>	<u>-</u>	<u>(1,274)</u>	<u>2,288,570</u>
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>

1,070,332 options disclosed above are issued to the participants but not yet vested as at 30 June 2024 (2023: 1,071,606).

1,218,238 options outstanding as at 30 June 2024 have vested and are exercisable (2023: 1,218,238).

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 0.67 years (2023: 1.67 years).

Performance rights

861,090 performance rights have vested and are exercisable as at 30 June 2024 (2023: 861,090).

Note 27. Events after the reporting period

Effective 2 August 2024, the shares of Design Milk Co Limited were removed from the official list by the Australian Securities Exchange. With effect from delisting, the status of the company changed from a listed public company to an unlisted public company.

On 19 August 2024, Design Milk Co Limited announced its intention to acquire all of the fully paid ordinary shares in Orbx Limited, an unlisted Australian public company that creates digital simulated environments for the gaming and business markets. The transaction with Orbx Limited is proposed to be undertaken by an off-market takeover bid with an all-scrip offer to the holders of shares in Orbx Limited. The transaction with Orbx Limited is subject to a number of conditions which are common for a transaction of this nature. If successful, the transaction is anticipated to complete in or around November 2024.

No other matter or circumstance has arisen since 30 June 2024 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.

Design Milk Co Limited
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest	Tax residency
			%	
Design Milk Co Limited	Body Corporate	Australia (parent entity)		Australia
AHL-KM Co. (formerly Design Milk Co.)	Body Corporate	United States of America	100%	United States of America
AHA Life LLC	Body Corporate	United States of America	100%	United States of America
AHL Holdings, LLC (formerly Design Milk Holdings, LLC)	Body Corporate	United States of America	100%	United States of America

Design Milk Co Limited
Directors' declaration
30 June 2024

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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



Mike Hill
Chairman

16 September 2024
Sydney

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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 net loss after tax of \$300,902 for the year ended 30 June 2024 and net operating cash outflows during the same year amounted to \$376,647. As at 30 June 2024, the Consolidated Entity had net current liabilities of \$259,200 and net liabilities of \$862,203. With the disposal of the main operating business in June 2023, all trading activities of the Consolidated Entity have ceased. These conditions, along with other matters as set forth in Note 3 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.

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 2024, 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 Consolidated Entity are responsible for the preparation of: a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*.

The directors of the Consolidated Entity are responsible for such internal control as the directors determine is necessary to enable the preparation of: i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and ii) the consolidated entity disclosure statement that is true and correct and is free from 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Consolidated Entity as a basis for forming 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 our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Crowe Sydney



Barbara Richmond
Partner

16 September 2024
Sydney