ansarada

Ansarada NewCo Pty Limited
ABN 54 619 911 223

Annual Financial Report

For the year ended
30 June 2019

Contents

Directors report

The directors present their report together with the consolidated financial statements of the Group comprising of Ansarada NewCo Pty Limited and its subsidiaries, for the financial year ended 30 June 2019 (comparatives from the date of incorporation 21 June 2017 to the year end 30 June 2018) and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

- Samuel Riley
- Rachel Riley
- Andrew Slavin
- Benedict Peter Keeble
- Steven Walter Humphries (Chairman)
- David Anthony Leslie

2. Officers who were previously partners of the audit firm

None of the Group's officers have been employed as partners of the Group's auditor.

3. Environmental regulation

The Group's operations are not regulated by any significant Commonwealth, State or Territory environmental laws or regulation.

4. Principal activities

The principal activities of the Group during the course of the financial year were the provision of services including business readiness and online deal rooms for customers via a business to business ("B2B") software ("SaaS") based platform.

5. Review of operations and results of those operations

Overview of the Group

Ansarada is a cloud-based, artificial intelligence ("AI") powered SaaS platform for end-to-end management of material outcomes for businesses throughout their lifecycle. It provides a single interactive system for managing business events and milestones such as raising capital, M&A, post-acquisition integration, audits, asset portfolio management, tenders, governance, risk and compliance. Ansarada enables businesses to monitor information sharing, align and scorecard individuals and information against outcomes, whilst tracking workflow (via dashboards, notifications and collaboration tools). The platform enables customers to assess how prepared their business is for an upcoming event, sets out a clear pathway to adhere to in order to optimise the outcome and execute with confidence.

Founded in Sydney, Australia in 2005, Ansarada is recognised for its commitment to simplicity, functionality, security and transparency for businesses and their advisors. The offering has evolved to businesses implementing and achieving a constant state of readiness by accessing sophisticated AI software architecture, which is further described below.

Ansarada has assisted leading global corporates, investment banks, financial institutions, private equity firms and legal and accounting advisors execute over 30,000 critical business transactions. The extensive data and experience from serving customers throughout these transactions has been leveraged to design AI and machine learning tools that drive efficiency through automation and simplicity, valuable insights, workflow collaboration, confidence and security.

Ansarada is a truly global business generating a significant portion of its revenue outside of Australia and employing over 170 people across its offices located in Sydney, Chicago, London, New York, Amsterdam, Johannesburg, Vietnam and Hong Kong.

Product
Ansarada's simple and efficient end-to-end platform is the result of insights from in excess of 30,000 outcomes delivered. Its SaaS offering allows customers to showcase key attributes of their business and manage the corporate development pipeline, as well as creating additional capacity by accelerating the transaction preparation process, streamlining execution, connecting with clients and nurturing prospects earlier.

Customers use Ansarada's advanced virtual data rooms to connect, share information, collaborate, communicate and facilitate the due diligence process whilst monitoring activity. With the ability to generate insights, accelerate successful outcomes and provide an accurate, real-time view of a transaction status across the lifecycle of each company, the platform significantly assists customers minimise risks and deliver value more efficiently.

Key characteristics of Ansarada's products include:

- *Simplicity*: Intuitive, fast, mobile compatible and user-friendly
- *Security*: Access and document usage control, full visibility
- *Automation*: AI tools automate processes, deliver insights and intelligence
- *Confidence*: Comprehensive range of reports, activity monitoring
- *Flexibility:* Unlimited data and flexible plans to suit requirement and budget
- *Connection:* Sync with leading cloud tools (e.g. Box, Google Drive, Dropbox, One Drive)
- *Collaboration:* Workflow management and communication tools, Q&A speed and visibility

Ansarada delivers its offering without any software plug-ins or downloads, which provides a seamless experience for businesses and advisors.

Product development and improvement at Ansarada is a fundamental pillar in everything it does, which is driven by continuing to be agile, flexible, listening to customers and adopting an iterative approach.

Operating results

Ansarada has made a significant change to how it operates its business during the past year. Effective October 2018, Ansarada transitioned to a subscription-based business model (from primarily transaction-based), which Management believe will drive revenue growth and profitability, as well as increase the amount of recurring revenue and customer retention – creating the potential for the business to be more predictable. Through extensive engagement and feedback from customers, Management believe the subscription model is highly valued by customers who seek the flexibility and affordability of monthly payments and predictable costs.

Ansarada's platform offering, marketed as a subscription model with attractive monthly pricing, will be a catalyst for revenue growth in the coming years. The impact of this business model shift based on the product offering and the subscription pricing will initially affect the revenue and costs to Ansarada. As customers make a shift from paying upfront for the use of Ansarada's software to a model where they pay over time, reported revenue will be lower in the short-term when compared to the historical transactional model. However, over time Management expect this business model transition will significantly increase Ansarada's revenue growth by attracting new users, retaining the current user base and driving higher average revenue per user. Additionally, the shift to a subscription model will increase the amount of Ansarada's recurring revenue that is rateably reported, driven by broader adoption over the next several years.

	2019 $'000	2018 $'000
Revenue	36,270	37,975
Billed Revenue	39,530	37,909
Deferred Revenue	(7,355)	(4,384)

Accordingly, the financial impact of this transition resulted in an initial 4% decrease in recognised revenues to $36.3 million (2018 $38 million). However, as highlighted above this short-term decline was expected by Management and better positions the business to scale with the outcome in the medium to long term being a significant increase in Annual Recurring Revenues ("ARR") coupled with an increase in the Lifetime Value ("LTV") of subscription customer(s) as compared to transactional customers.

This can be illustrated by the growth in Annualised Monthly Recurring Revenues ("AMRR") of 27-fold $23.49 million (2018: 0.87million). On balance sheet, this is illustrated by an increase in unearned revenue of 68% to $7.4 million (2018 $4.4 million).

As a comparison to accounting recognised revenues of $36.3 million, actual billed revenue was $39.5 million (2018 $37.9 million).

In line with the transition to this new B2B SaaS subscription-based platform, the Company strategically invested in its product design and development teams of $9.7 million (2018 $7.9 million) and Sales and Marketing teams of $13.5 million (2018 $7.5 million).The accounting EBITDA loss for the Group for the financial year was $10.9 million as to compared Underlying billed EBITDA loss of $7.9 million.

A reconciliation of statutory adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA') to statutory profit after tax for the year is as follows:

	2019 $'000	2018 $'000
Profit/(Loss) for the year	(26,815)	(696)
Income tax expense	(4,138)	(2,784)
Underlying loss before income tax expense	(30,953)	(3,480)
Depreciation and amortisation expense	7,520	6,026
Finance income	(105)	(83)
Finance expense	12,652	2,111
EBITDA	**(10,886)**	**4,574**

The Company invested $10.6 million in capitalised development costs during FY2019 and included in the accounting loss is $7.5 million in relation to depreciation and amortisation expenses.

Initial investments to establish the B2B SaaS platform model as at 30th June 2019 have reduced materially, stabilising ongoing operational costs and significantly increasing the Company's ability to scale efficiently.

6. Significant changes in the state of affairs

Transformation to a subscription-based SaaS business model.

As discussed above, during the year the Company transformed from primarily a transactional-based virtual deal room provider to a subscription-based SaaS business, which represents a significant change to the business model. This strategically repositions the Company and will be a catalyst for a higher quality of recurring revenue, acceleration of new customer acquisitions, improved forecast certainty and earnings visibility, as well as reducing the cost base required to profitably scale the business globally. There are also significant benefits to Ansarada's customers (e.g. greater flexibility, increased affordability of monthly payments vs. upfront payment, etc.). Consistent with other observed precedents of software businesses transforming to subscription pricing, this initially decreases recognised revenue and requires some initial investment into the platform (further commentary set out above in the Operating Results section).

Equity issue

The Company issued 331,980 Series A Preference shares raising $2.2 million during the financial year. In July 2019, a further final amount of 59,433 Series A Preference shares were issued raising $0.4 million.

Convertible Notes

Subsequent to the year end a total of $8.0 million was raised by the issue of New Convertible Notes. A total of 8,000,000 convertible notes with a face value of $1.00 were issued to new note holders. The funds, in relation to the issue of these new notes, were received in July 2019.

Of the $8.0 million raised in relation to the convertible notes, $1.5 million was immediately used to paydown the outstanding bank borrowings which outstanding 30 June 2019.

The new convertible notes (in line with the existing convertible notes with a face value of $23.8 million) accrue interest at 9% per annum from the issue date up to and including the date on which the Notes are converted or redeemed. On redemption all interest and principal must be repaid.

The Existing Notes and New Notes have a maturity date of 1 July 2025. The earliest date the Existing Notes and New Notes may be redeemed (outside an initial public offering (IPO) or trade sale) is 1 July 2020.

Warrants

The new convertible noteholders were issued with warrants equal to 0.15% of the total issued capital of the Company for every $1.0 million of Convertible notes held (at face value). At the time of the issue of new convertible notes, the holders of existing convertible notes were also issued with warrants equal to 0.075% of the total issued capital of the Company for every $1.0 million of convertible notes held (at face value).

The total warrants issued in connection with the new note issue is 233,381, including warrants in relation the $8 million in new notes of 93,841 and warrants in relation to existing notes of 139,540.

The terms of the warrants include:
- an exercise price of $0.01;
- 5-year term; and
will entitle the holder to be issued with ordinary shares.

In the opinion of the Directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review.

7. Dividends

No dividends have been paid or declared for the financial period ended 30 June 2019 (2018: $Nil).

8. Events subsequent to reporting date

Other than the issue of 59,433 Preference Shares for $0.4 million, the issue of $8.0 million of new Convertible Notes and 233,391 warrants as described in section 6 above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the result of these operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

Directors are not aware of any significant changes in the activities of the Group in the next financial year.

10. Directors' interests and share options

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ansarada NewCo Pty Limited		
	Ordinary shares	Options over ordinary shares	Preference Shares
Samuel Ross Riley	1,830,927	54,016	8,915
Rachel Christina Riley	915,463	45,344	Nil
Benedict Peter Keeble	121,154	37,787	22,288
Steven Walter Humphries	678,121	37,787	14,858
Andrew Slavin	2,441,235	45,344	Nil
David Anthony Leslie	Nil	Nil	Nil

11. Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Insurance premiums

During the financial year the Group has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2019 and since the financial year, the Group has paid premiums in respect of such insurance contracts for the year ending 30 June 2019. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

12. Proceedings on behalf of the Group

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

13. Lead auditor's independence declaration

The Lead auditor's independence declaration as required under section 307c of the Corporation Act 2001, is set out on page 33 and forms part of the directors' report for the financial year ended 30 June 2019.

14. Rounding off

All amounts in the financial statements have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest one thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors:

Dated at The Rocks Sydney 31st day of October 2019.

Samuel Riley, Director

Consolidated statement of profit or loss and other comprehensive income

	Notes	2019 $'000	2018 $'000
Revenue	8	36,270	37,975
Other income	8	299	695
Total revenue and other income		**36,569**	**38,670**
Cost of revenues		(2,944)	(2,619)
Gross profit		**33,625**	**36,051**
Product design and development		(21,273)	(16,834)
Sales and Marketing		(21,388)	(15,156)
General and Administration		(9,370)	(5,513)
Total operating expenses		**(52,031)**	**(37,503)**
Operating Profit /(loss)		**(18,406)**	**(1,452)**
Finance income		105	83
Finance expense	11	(12,652)	(2,111)
Net finance cost		**(12,547)**	**(2,028)**
Profit /(loss) before income tax		**(30,953)**	**(3,480)**
Income tax benefit/(expense)	13	4,138	2,784
Profit/(Loss) for the year		**(26,815)**	**(696)**
Other comprehensive income			
Items that may subsequently be re-classified to Profit or Loss, net of tax			
Foreign currency translation differences for foreign operations		(2)	66
Total other comprehensive (loss)/profit for the year		**(26,817)**	**(630)**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

	Notes	30 June 2019 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		2,570	20,138
Trade and other receivables	14	3,918	4,730
Other current assets		1,537	930
Total current assets		**8,025**	**25,798**
Non-current assets			
Intangible assets	16	24,642	20,680
Property, plant and equipment	15	2,230	2,307
Related party receivables		76	85
Deferred tax asset	13	5,377	623
Total non-current assets		**32,325**	**23,695**
Total assets		**40,350**	**49,493**
LIABILITIES			
Current liabilities			
Trade and other payables	20	(6,217)	(3,598)
Borrowings	18	(1,506)	(4,342)
Employee benefits	12	(1,256)	(1,047)
Deferred revenue	8	(7,355)	(4,384)
Total current liabilities		**(16,334)**	**(13,371)**
Non-current liabilities			
Convertible note payable	19	(37,100)	(24,702)
Employee benefits	12	(148)	(131)
Provisions		(292)	(223)
Total non-current liabilities		**(37,540)**	**(25,056)**
Total liabilities		**(53,874)**	**(38,427)**
Net assets/(liabilities)		**(13,524)**	**11,066**
EQUITY			
Share capital	17	2,234	*
Retained earnings/(loss)		(16,076)	(696)
Reorganisation reserve	17	-	11,435
Reserves	17	318	327
Total equity		**(13,524)**	**11,066**

*Amount less than a thousand.

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes of equity

	Ordinary shares $'000	Preference A shares $'000	Share-based payment reserve $'000	Re-organisation Reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018	0.2	-	290	11,435	37	(696)	11,066
Total comprehensive income for the period:							
Profit/(loss) for the period	-	-	-	-	-	(26,815)	(26,815)
Other comprehensive income for the period:							
Foreign currency translation differences for foreign operations net of tax	-	-	-	-	(2)	-	(2)
Total comprehensive loss for the period	-	-	-	-	(2)	(26,815)	(26,817)
Transactions with owners of the company							
Transfer to Retained Earnings	-	-	-	(11,435)	-	11,435	-
Share based payment expense	-	-	(7)	-	-	-	(7)
Issue of Preference A shares	-	2,234	-	-	-	-	2,234
Balance at 30 June 2019	0.2	2,234	283	-	35	(16,076)	(13,524)

	Ordinary shares $'000	Preference A shares $'000	Share-based payment reserve $'000	Re-organisation Reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2017	0.2		114	11,435	(29)	-	11,520
Total comprehensive income for the period:		-	-	-			
Profit/(loss) for the period						(696)	(696)
Other comprehensive income for the period:	-	-	-		-		-
Foreign currency translation differences for foreign operations net of tax	-	-	-	-	66	-	66
Total comprehensive loss for the period	-	-	-	-	66	(696)	(630)
Transactions with owners of the company	-	-	-	-	-	-	-
Share based payment expense	-	-	176	-	-	-	176
Balance at 30 June 2018	0.2	-	290	11,435	37	(696)	11,066

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		43,237	42,020
Payments to suppliers and employees (inclusive of GST)		(48,380)	(38,196)
Interest received		105	84
Interest paid		(502)	(316)
Income tax paid		(116)	(8)
Net cash (outflow)/inflow from operating activities	27	**(5,656)**	**3,584**
Cash flows from investing activities			
Payments for property, plant and equipment		(720)	(574)
Capitalised development costs		(10,605)	(11,970)
Net cash (outflow) from investing activities		**(11,325)**	**(12,544)**
Cash flows from financing activities			
Proceeds from issuance of convertible notes, net of issue costs		-	23,784
Proceeds from issue of share capital, net of issue costs		2,234	-
Proceeds from borrowings		-	2,000
Repayment of borrowings		(2,836)	(349)
Net cash (outflow)/inflow from financing activities		**(602)**	**25,435**
Net increase/(decrease) in cash and cash equivalents		**(17,583)**	**16,475**
Cash and cash equivalents at the beginning of the year		20,138	3,770
Effect of exchange differences on cash balances		15	(107)
Cash and cash equivalents at end of year		**2,570**	**20,138**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to consolidated financial statements

1. Reporting entity

Ansarada NewCo Pty Ltd (the "Company") is a company domiciled in Australia. The Company was registered with the Australian Securities and Investment Commission ('ASIC') on 21 June 2017. In July 2017, a reorganisation of the Ansarada corporate structure was carried out. Refer to Note 3 for details.

The Company's registered office is Level 2, 80 George Street, The Rocks NSW 2000. The consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" or "Ansarada" and individually "Group companies").

The Group is a for-profit entity and its primary business is the provision of a business to business ('B2B') software as a service ('SaaS') platform for business readiness and deal execution.

All amounts in the financial statements have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest one thousand dollars unless otherwise stated.

2. Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). They were authorised for issue by the Board of Directors on 31October 2019.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value.

3. Reorganisation

In July 2017, a reorganisation of the corporate structure (the "Reorganisation") was carried out. Prior to the Reorganisation Ansarada Holdings Pty Ltd was the ultimate holding company of the Ansarada group of companies (the "Group"), except for certain related companies (being Ansarada Employee Company Pty Limited, Ansarada IP Pty Ltd, Sambellan Pty Ltd, Quam Enterprises Pty Ltd and Ansia Pty Ltd) which were owned and controlled by the same group of shareholders as Ansarada Holdings Pty Ltd and have been brought into the Group in the Reorganisation.

The Reorganisation involved:

- Interposing or "top-hatting", Ansarada NewCo Pty Ltd as the new ultimate parent and holding company of the Group;
- Interposing Ansarada SubCo Pty Ltd as the new immediate parent company;
- Ansarada Holdings Pty Ltd, Sambellan Pty Ltd, Quam Enterprises Pty Ltd and Ansia Pty Ltd shareholders transferring each of their shares to Ansarada SubCo Pty Ltd for a beneficial ownership interest in shares of Ansarada NewCo Pty Ltd;
- Ansarada Employee Company Pty Limited and Ansarada IP Pty Ltd shareholders transferring each of their shares to Ansarada SubCo Pty Ltd for a nominal consideration; and
- Forgiveness of related party loans of $2.8 million to Ansarada Employee Company Pty Limited and Ansarada IP Pty Ltd.

4. Going Concern

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

As at 30 June 2019, the Group's net liability position was $13.5 million (2018: $11.1 million net asset position). This position includes $37.1 million (2018: $24.7 million) in recognition of the fair value of Convertible Notes. For accounting purposes, the Convertible Notes are treated as a debt instrument not withstanding they may convert to equity prior to a maturity date of 1 July 2025, refer Note 19. Only unconverted notes will become payable on demand at the maturity date. Excluding the Convertible notes the Groups net asset position is $23.6 million (2018: $35.1 million).

The net liability position is also impacted by recognition of deferred revenue of $7.4 million (2018 $4.4 million) which is expected to be recognised as income in the next financial year with no further cash outflows to the Group.

The net position of the Group excluding both Convertible Notes and deferred revenue is a positive net asset position of $30.9 million (2018 $40.1 million).

There is a deficit in current assets of $8.3 million at 30 June 2019. The deficit is largely due to the inclusion of deferred revenue of $7.4 million which as described above, is expected to settle without a corresponding cashflow within the next 12 months. Furthermore, in July 2019 the Group raised $8.4 million in relation to issue of new convertible notes and Series A preference shares and paid down the $1.5 million bank loan outstanding at 30 June 2019. Forecast surplus cashflows will be managed to ensure funds are available to meet commitments as they fall due.

5. Functional and presentation currency

Functional and presentation currency
Items included in the financial statements of each Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in statement of profit or loss and other comprehensive income in the financial year in which the exchange rates change.

6. Principles of consolidation

Subsidiaries
Subsidiaries are those entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control of the subsidiary commences until the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated.

7. Use of judgements and estimates

In preparing the Group financial statements, management is required to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's best judgment at the date of the Group financial statements, will, by definition, seldom equal the related actual results. The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are summarised below.

Capitalised development costs.
The Group capitalises costs (including employee costs) related to software development if a number of criteria are met. Management has made judgements and assumptions when assessing whether a project meets these criteria, and on measuring the costs and economic life attributed to such projects. The economic lives for intangible assets are estimated between three to five years for internal projects, which include internal use of software and internally generated software.

Deferred tax assets
The Group recognises a deferred tax asset in relation to carried forward Research and Development ("R&D") credits and carried forward income tax losses based on forecasts of future profits against which those assets may be utilised, and the ability to satisfy the requirements of ownership continuity or same business test.

Convertible Notes
In the Group's judgement the Convertible Notes have been accounted for as debt rather than equity based on due consideration of the requirements under AASB 132 'Financial Instruments: Presentation'.

8. Revenue

Accounting policy
Revenue recognition

A – Significant accounting policy
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

B – Nature of goods and services

Effective from October 2018, Ansarada transformed to a subscription-based recurring revenue model (from transactional usage fees previously). Consistent with the typical financial impact for all software businesses transitioning to a subscription model, there is an initial decrease in revenue and increase in costs, with the resulting outcome being a significantly higher quality of recurring revenue, improved forecast certainty and earnings visibility, as well as reducing the cost base required to profitably scale the business

The key revenue streams and the recognition principles applied by the Group are as follows:

Platform Subscription fees

Ansarada's key new source of revenue following the transformation in October 2018 is Platform subscription fees, which is recurring annual and monthly fees generated from customers who subscribe to its cloud-based SaaS Platform. These fees can either be invoiced upfront, over the subscription period or on a monthly basis. Revenue is recognised in the accounting period in which the services are rendered. Unearned revenue at year end is recognised in the Statement of Financial Position as deferred revenue and included within other current liabilities.

Transactional usage fees

Transactional usage fees represents the amount billed to the customers based on the specific level of virtual data room usage (e.g. amount of data uploaded or pages occupied). Consideration from usage fees is recognised as revenue on a straight-line basis in the Statement of Profit or Loss over the estimated life of a deal room.

Base fees

Base fees represent upfront fees paid by a customer for deal room services. Consideration for base fees is deferred to the Statement of Financial Position and is recognised as revenue on a straight-line basis at the same time as the virtual data room usage to which the base fee applies.

Other income

Other income consists of other miscellaneous items.

Revenue and other income	**2019 $'000**	**2018 $'000**
Platform subscription fees	12,477	238
Transactional Usage fees	23,712	37,584
Base fees	81	391
Total revenue	**36,270**	**38,213**
Other income	299	457
Total revenue and other income	**36,569**	**38,670**

Deferred Revenue
Deferred revenue consists of Platform Subscription, Transactional Usage and Base fees which are expected to be recognised on a straight-line basis over the remaining life of the contract or estimated life of the data room which is expected to occur within 12 months.

	2019 $'000	2018 $'000
Total Deferred revenue	7,355	4,384

Contract balances

The following table provides information about receivables from contracts with customers.

	2019 $'000	2018 $'000
Receivables which are included in Trade and other receivables (Note 14)	3,622	4,460

9. Segment information

The Company operates in one business segment, providing provision of services including business readiness and online deal rooms for customers via a business to business ("B2B") software ("SaaS") based platform.

The business reviews financial performance based on geographic locations. The geographic split percentage is based on recognised revenue by sales region, further information on the recognition of revenue is included in Note 8.

Disaggregation of revenue

Revenue by geographic location	2019 $'000	2018 $'000
ANZ (Australia and New Zealand)	20,642	21,924
America	4,924	5,446
Asia	1,639	1,607
Europe	4,508	4,060
Middle East and Africa	1,348	1,152
United Kingdom	3,508	4,481
Total revenue by geographic location	36,569	38,670

10. Expenses

The Group has presented the expense categories within the Consolidated statement of profit or loss and other comprehensive income on a functional basis. The categories used are cost of revenues, product design and development, sales and marketing and general and administration. The methodology and the nature of costs within each category are further described below.

Cost of revenues

Cost of revenues consists of sales commissions, bonuses and third-party royalties.

Product design and development expenses

Product design and development expenses consist primarily of personnel and related costs (including salaries, benefits and bonuses) directly associated with the Group's product design and development employees, as well as allocated overheads. Under IFRS, the proportion of product design and development expenses that create a benefit in future periods is capitalisable as an intangible asset and then amortised to profit or loss over the estimated life of the asset created. The amortisation of those costs capitalised is included as a product design and development expense.

Sales and marketing expenses

Sales and marketing expenses consist of personnel and related costs (including salaries and other benefits) directly associated with the sales and marketing team's activities to acquire new customers and grow revenue from existing customers. Other costs included are external advertising costs, marketing costs and promotional event costs as well as allocated overheads.

General and administration expenses

General and administration expenses consist of personnel and related costs (including salaries, benefits and bonuses) for the Company's executive, finance, legal, human resources and administration employees. They also include legal, accounting and other professional services fees, insurance premiums, other corporate expenses and allocated expenses.

Overhead allocation
The presentation of the Consolidated statement of profit or loss and other comprehensive income by function requires certain overhead costs to be allocated to functions. These allocations require management to apply judgment. The costs associated with Ansarada's facilities, internal information technology and non-product related depreciation and amortisation are allocated to each function based on respective headcount.

Expenses by nature

	2019 $'000	2018 $'000
Employee benefits	28,522	18,831
Included in functional expenses as follows:		
Sales and marketing expenses	13,467	7,502
Product design and development expenses	9,680	7,954
General and administration expenses	5,375	3,375
Total	**28,522**	**18,831**
Depreciation and amortisation	7,520	6,026
Included in functional expenses as follows:		
Sales and marketing expenses	288	398
Product design and development expenses	7,110	5,449
General and administration expenses	122	179
Total	**7,520**	**6,026**

11. Finance income and expense

Finance expense comprises of interest expense on debt facilities. Interest expense is recognised as it is incurred.

	2019 $'000	2018 $'000
Finance expense		
Interest expense - bank	(411)	(315)
Establishment Fee – Convertible note	-	(947)
Net foreign exchange gain / (loss)	156	70
Fair Value Adjustment		
Convertible Note (Note 19,21)	(12,397)	(919)
Total finance expense	**(12,652)**	**(2,111)**

12. Employee benefits

Short term employee benefits
Short-term liabilities are recognised for benefits accruing to employees in respect of wages and salaries, sales commissions and bonuses and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement, including related on-costs, and where appropriate discounted to present value.

Defined contribution superannuation funds
Ansarada contributes to defined contribution employee superannuation plans and these contributions are recognised as an expense in the profit or loss as incurred.

Long service leave

Ansarada's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Australian Corporate Bonds as generated in the Milliman report that have maturity dates approximating the terms of Ansarada's obligations. Long service leave is classified as current where the leave has vested, or will vest within the next 12 months, in accordance with the relevant legislation under which the employee operates.

	2019 $'000	2018 $'000
CURRENT		
Annual leave	1,048	913
Long -Service Leave	208	134
	1,256	**1,047**
NON-CURRENT		
Long-service leave	148	131
Total employee benefits	**1,404**	**1,178**

13. Income taxes

As an income tax consolidated group, Ansarada NewCo Pty Limited ('NewCo') and its wholly owned Australian tax resident subsidiaries are treated as a single entity for income tax purposes. As a result, NewCo is responsible for lodging a single Australian consolidated income tax return, maintaining a single franking account and paying income tax instalments on behalf of the group. Further, as the tax consolidated group is viewed as a single entity, intra-group transactions and membership interests of subsidiary members are generally ignored for Australian income tax purposes.

The income tax expense (benefit) for the period is the tax payable on the current period's taxable income (or loss) based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 Company has concluded to recognise in full a net deferred tax asset of $5.4 million after assessing passing the Continuity of Ownership and the Similar Business test as at the reporting date and in the future. Also, the Company has assessed the probability that it will be able to offset this tax asset against future taxable profits.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

	2019 $'000	2018 $'000
Income tax expense		
Current tax expenses	616	267
Deferred tax expense/ (benefit)	(4,754)	(3,051)
Total	**(4,138)**	**(2,784)**

	2019 $'000	2018 $'000
(Loss)/Profit before income tax expense	(30,953)	(3,480)
Tax at the Australian tax rate of 27.5% (2018: 30%)	(8,512)	(1,044)
Effects of tax rates in foreign jurisdictions	117	98
Tax effect of:		
Non-deductible expenses	3,036	182
Adjustment to current tax for overs/under from prior year	500	501
Tax incentives	(1,440)	(3,279)
Change in recognised deductible temporary differences	2,161	758
Total	**(4,138)**	**(2,784)**

(a) Movement in deferred tax balances

2019	Balance 1 July $'000	Recognised in statement of Profit and loss $'000	Balance 30 June $'000	Assets $'000	Liabilities $'000
Property, plant and equipment	(255)	252	(3)	166	(169)
Intangible assets	(5,128)	(704)	(5,832)	-	(5,832)
Annual leave	274	14	288	288	-
Long service leave	80	18	98	98	-
Prepayments	(1)	(3)	(4)	-	(4)
R&D credits	3,656	1,440	5,096	5,096	-
Other items	1,997	(1,737)	260	260	-
Tax losses	-	5,474	5,474	5,474	-
Net tax assets/ (liabilities)	**623**	**4,754**	**5,377**	**11,382**	**(6,005)**

2018	Balance 1 July $'000	Recognised in statement of Profit and loss $'000	Balance 30 June $'000	Assets $'000	Liabilities $'000
Property, plant and equipment	(137)	(118)	(255)	-	(255)
Intangible assets	(4,172)	(956)	(5,128)	-	(5,128)
Annual leave	209	65	274	274	-
Long service leave	57	23	80	80	-
Prepayments	(295)	294	(1)	-	(1)
R&D credits	377	3,279	3,656	3,656	-
Other items	1,533	464	1,997	1,997	-
Net tax assets/ (liabilities)	**(2,428)**	**3,051**	**623**	**6,007**	**(5,384)**

(b) Franking credit balance

	2019 $'000	2018 $'000
Franking account balance at the end of the financial year	1,813	1,813

14. Trade and other receivables

Trade receivables

Trade and other receivables are stated at their amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement after 30 days.

Collectability of trade receivables is reviewed on a portfolio basis on an ongoing basis in accordance with AASB 9 Financial Instruments. The group applies the expected credit loss model to trade receivables on a portfolio basis. Receivables that are known to be uncollectable are written off. An additional allowance for impairment is established when there is objective evidence that Ansarada will not be able to collect all amounts due in addition to the expected credit loss provision.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Cash flows relating to short-term receivables are not discounted.

	2019 $'000	2018 $'000
Trade receivables	3,807	4,542
Provision for impairment of receivables	(185)	(82)
Trade receivables (net of provision for impairment)	3,622	4,460
Supplier deposits and other receivables	296	270
Total trade and other receivables	**3,918**	**4,730**

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is disclosed in Note 21.

15. Property, plant and equipment

Cost recognition

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Ansarada, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods and useful lives, as well as residual values, are reassessed annually.

The Group classifies items of property, plant and equipment into three major categories. The table below sets out a description of the type of assets within each category and the useful lives applied to each category:

Asset class	**Estimated useful life**
Computer equipment	3 years
Furniture	3-10 years
Leasehold improvements	5-10 years

Impairment testing of tangible assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Group is managed as one collective CGU, which reflects the lowest level of management of the groups of assets and the synergies of the business groupings. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2019	**Computer equipment $'000**	**Furniture $'000**	**Leasehold improvements $'000**	**Total $'000**
Cost				
Opening balance	1,097	1,494	3,288	5,879
Additions	370	274	76	720
Disposals	(3)	-	-	(3)
Foreign currency translation	10	11	97	118
Closing balance	1,474	1,779	3,461	6,714
Accumulated depreciation				
Opening balance	(714)	(1,021)	(1,837)	(3,572)
Depreciation	(269)	(354)	(255)	(878)
Disposals	1	-	-	1
Foreign currency translation	(6)	(4)	(25)	(35)
Closing balance	(988)	(1,379)	(2,117)	(4,484)
Carrying amounts				
At 30 June 2018	383	473	1,451	2,307
At 30 June 2019	486	400	1,344	2,230

2018	Computer equipment $'000	Furniture $'000	Leasehold improvements $'000	Total $'000
Cost				
Opening balance	834	1,390	3,123	5,347
Additions	303	97	100	500
Disposals	(50)	-	-	(50)
Foreign currency translation	10	7	65	82
Closing balance	1,097	1,494	3,288	5,879
Accumulated depreciation				
Opening balance	(577)	(624)	(1,415)	(2,616)
Depreciation	(202)	(394)	(403)	(999)
Disposals	73	-	-	73
Foreign currency translation	(8)	(3)	(19)	(30)
Closing balance	(714)	(1,021)	(1,837)	(3,572)
Carrying amounts				
At 30 June 2017	283	620	1,828	2,731
At 30 June 2018	383	473	1,451	2,307

16. Intangible assets

Cost recognition
Intangible assets purchased are stated at cost less accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets

- research costs are expensed in the period in which they are incurred.
- development costs are capitalised when the following have been demonstrated:
- it is probable that the project will be a success considering its commercial and technical feasibility;
- the ability to use or sell the asset;
- the intention to complete the development and use or sell it;
- the availability of sufficient resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the costs attributable to the development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation
Amortisation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date it is available for use.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful life of each class of intangible asset is set out in the table below:

Class of intangible asset	Estimated useful life
Software – Platform	3 - 5 years
Mobile applications	1 - 4 years

Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of between three to five years. A reassessment of the expected useful life of the software platform asset class occurred on 1 July 2018 resulting in the useful life changing from 5 years to 3 to 5 years for certain assets within the asset class, which has been applied prospectively from 1 July 2018.

Impairment considerations

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell or the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

After assessing the above, the group recognised an impairment loss of $274,148 during the year ended 30 June 2019 on write down of software development due to the carrying value of the asset exceeding its recoverable amount. The impairment loss was recognised within Product design and development in the Consolidated statement of profit or loss and other comprehensive income.

2019	Software Platform $'000	Mobile Applications $'000	Capital WIP $'000	Total $'000
Cost				
Opening balance*	30,070	1,016	2,301	33,387
Additions	7,510	28	3,067	10,605
Disposals	-	-		-
Closing balance	37,580	1,044	5,368	43,992
Accumulated amortisation				
Opening balance*	(12,545)	(162)	-	(12,707)
Amortisation	(6,133)	(236)	-	(6,369)
Impairment	-	-	(274)	(274)
Closing balance	(18,678)	(398)	(274)	(19,350)
Carrying amounts				
At 30 June 2018	17,525	854	2,301	20,680
At 30 June 2019	18,902	646	5,094	24,642

*The opening balances have been reclassed in the current financial year due to an internal review of performed by management to more appropriately classify intangible assets. There is no change in the total carrying amount carried forward as at 1 July 2018.

2018	Software Platform $'000	Mobile Applications $'000	Total $'000
Cost			
Opening balance	19,112	2,195	21,307
Additions	12,080	-	12,080
Disposals	-	-	-
Closing balance	31,192	2,195	33,387
Accumulated amortisation			
Opening balance	(7,532)	(148)	(7,680)
Amortisation	(4,409)	(618)	(5,027)
Impairment	-	-	-
Closing balance	(11,941)	(766)	(12,707)
Carrying amounts			
At 30 June 2017	11,689	2,047	13,736
At 30 June 2018	19,251	1,429	20,680

17. Capital and reserves

(a) Share capital *2019*	2019 Shares	2019 $'000	2018 Shares	2018 $'000
Ordinary Shares				
Balance at the end of reporting period	7,356,764	0.2	7,356,764	0.2

(i) The Company does not have any authorised share capital or par value in respect of its issued shares. All issued shares are fully paid. Ordinary shares rank equally with regards to the Company's residual assets.

(ii) The Company was incorporated on 23 June 2017, when 7,356,764 ordinary shares were issued.

(iii) No dividend was paid or declared during the period.

(b) Share capital *2019*	2019 Shares	2019 $'000	2018 Shares	2018 $'000
Preference A Shares				
Balance at the end of reporting period	331,980	2,234	-	-

(iv) The Company issued 331,980 Series A preference shares in the financial year at an issue price of $6.73 per share. In July 2019, a final amount of 59,433 Series A Preference shares were issued with funds of $0.4 million received in July 2019.

The Preference Shares have voting and dividend rights and automatically convert to ordinary shares upon closing of the sale of ordinary shares in connection with a liquidity event or by vote or written consent of a 'Majority Series A Investors'.

The conversion price is equal to the subscription price of $6.73 per share. The Preference Shares have a 1 * liquidity preferential right over ordinary shares to proceeds upon a 'liquidity event' as set out in schedule 1 of the Company's constitution.

(c) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

	2019 $'000	2018 $'000
Foreign currency translation reserve	35	37

Share based payment reserve

The share-based payment reserve represents the value of unvested options and unissued options as part of the share-based payment plan which are expensed over the vesting period.

	2019 $'000	2018 $'000
Share based payment reserve	283	290

Reorganisation Reserve

As a result of Ansarada's corporate restructure and the imposition of Ansarada NewCo Pty Limited as the parent entity, an equity account was created as a component of equity called the Reorganisation reserve. The balance of the account as at 30 June 2018 represents the net assets of the Group at the time of the corporate reorganisation. The Company transferred the balance of $11.4 million to retained earnings as at 30 June 2019 and this movement can be seen in the consolidated statement of changes of equity.

	2019 $'000	2018 $'000
Reorganisation Reserve	-	11,435

(d) Capital management

	2019 $'000	2018 $'000
Total borrowings	(1,506)	(4,342)
Total convertible note payable	(37,100)	(24,702)
Less cash and cash equivalents	2,570	20,138
(Net debt) / Net cash and cash equivalents	(36,036)	(8,906)
Total equity	(13,524)	11,066
Total capital	(49,560)	2,160

Management controls the capital of the Group in order to maintain debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's net debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Included in the total capital is Convertible notes of $37.1 million (2018: $24.7 million) which is accounted for as debt under AASB 9 'Financial Instruments'. These notes may convert to equity, unless there is any unconverted notes at the maturity date of 1st July 2025 which will then become payable on demand.

18. Borrowings

Interest-bearing bank borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of profit or loss over the period of the loans and borrowings on an effective interest basis.

	2019 $'000	2018 $'000
Bank loans –current	1,506	4,342
Total bank borrowings	**1,506**	**4,342**

On 17th July 2019 the Macquarie loan outstanding of $1.5 million as at 30th June 2019 was paid down in full with the proceeds of $8.0 million raised in relation to new Convertible notes which is disclosed in Note 31.

19. Convertible notes payable

	2019 $'000	2018 $'000
Principle amount	23,784	23,784
Fair value adjustment (cumulative)	13,316	918
Carrying amount of convertible notes liability (note 21)	**37,100**	**24,702**

On 15th February 2018, Ansarada Newco Pty Ltd issued 23,784,000 convertible notes with a face value of $1.00 which accrue interest at 9.0% and have a maturity date of 1st July 2025. On redemption all accrued interest and principle on any unconverted notes become payable on demand. Further information on the fair value of the Convertible Note is included in Note 21.

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 21.

20. Trade and other payables

Trade and other payables are stated at their amortised cost and are non-interest bearing. Trade payables are normally settled within 30 days. The carrying amount of trade payables approximates net fair value.

	2019 $'000	2018 $'000
Trade payables	3,909	2,786
Sundry payables and accrued expenses	2,308	812
Total trade and other payables	**6,217**	**3,598**

Information about the Group's exposure to currency and liquidity risk is included in Note 21.

21. Financial instruments – Fair values and risk management

(a) Fair values

The following information notes the reliability of the inputs used in determining the fair value of financial assets and liabilities carried at fair value. The three levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: other valuation methods for which all inputs that have a significant impact on fair value are observable, either directly (as prices) or indirectly (derived from prices).
- Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs).

All assets and liabilities carrying value is aligned to their fair value, with the exception of convertible notes.

(b) Convertible Notes

Convertible notes are classified as Fair Value through Profit and Loss ('FVTPL'). The fair value calculation is categorised as level 3 under the fair value hierarchy.

Valuation	2019	2018
30 June 2019	**$ million**	**$ million**
Embedded conversion feature (Monte Carlo)	9.8	7.7
Debt component (discounted cash flow)	27.3	17.0

Fair Value of the Convertible Notes	37.1	24.7
Face value of the Convertible Notes (excluding interest)	23.8	23.8

Management have engaged Deloitte valuation specialists, who have determined the fair value of the debt component of the Convertible Notes at 30 June 2019 using the discounted cash flow method, by discounting the expected future cash flows from the Convertible Notes, being the coupon payments, which has a fixed rate (not payable until maturity date) and the return of capital.

The embedded conversion feature was calculated using a Monte Carlo simulation based model.

The 2019 Valuation implies a 3.2-3.8% discount to the face value (including interest accrued) of the Notes, reflected by the gross up of the minimum (25%) and maximum (30%) conversion discount embedded in the Notes at reporting date. In comparison, the 2018 Valuation, implies a 17.2%- 29.7% discount to the face value (including interest accrued) of the Notes, reflected by the gross up of the minimum (27.5%) and maximum (30%) conversion discount embedded in the Notes at reporting date.
It is not unexpected that the Notes will trade at a discount to the full (i.e. 30%) grossed up value given that the Notes may be converted at a lower Discount Proportion than the full 30% default position (a Discount Proportion of 25% applies in FY20). The increase in the value of the Notes from FY18 to FY19 is similarly not unexpected, given the expectations on timing of conversion of the Notes which have changed to a higher probability that conversion will occur prior to 30th June 2020.

(b) Accounting classifications and fair values
The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

		2019 $'000		2018 $'000	
	Accounting classification	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade and other receivables	Amortised cost	3,918	3,918	4,730	4,730
Cash and cash equivalents	Amortised cost	2,570	2,570	20,138	20,138
Bank loan	Amortised cost	(1,506)	(1,506)	(4,342)	(4,342)
Trade and other payables	Amortised cost	(6,217)	(6,217)	(3,598)	(3,598)
Convertible note payable	FVTPL	(37,100)	(37,100)	(24,702)	(24,702)

(c) Financial risk management
The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

(d) Risk Management framework
The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(i) **Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets, being cash and cash equivalents and trade and other receivables represents the maximum credit exposure.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

In monitoring customer credit risk, customers are grouped according to their credit characteristics including whether they are a legal entity, their geographic location, industry, and existence of previous financial difficulties.

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

At 30 June 2019, the ageing of trade receivables that were not impaired was as follows:

	2019 **$'000**	**2018** **$'000**
Not past due	2,935	3,922
Past due 1-30 days	724	370
Past due 31-90 days	175	317
Past due 91-120 days	84	121
	3,918	**4,730**

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

(ii) **Liquidity Risk**

			Contractual cash flow	
	Carrying amount **$'000**	**Total** **$'000**	**Less than 1 year** **$'000**	**1-5 years** **$'000**
2019				
Financial liabilities				
Trade and other payables	6,217	6,217	6,217	-
Bank loan	1,506	1,506	1,567	-
Convertible note	37,100	37,100	-	44,907
Total	**44,823**	**44,823**	**7,784**	**44,907**

			Contractual cash flow	
	Carrying amount **$'000**	**Total** **$'000**	**Less than 1 year** **$'000**	**1-5 years** **$'000**
2018				
Financial liabilities				
Trade and other payables	3,598	3,598	3,598	-
Bank loan	4,342	4,342	-	4,601
Convertible note	24,702	24,702	-	44,907
Total	**32,642**	**32,642**	**3,598**	**49,508**

Bank loan
The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

Convertible Note

Prior to a Liquidity Event occurring the Noteholder may elect that all outstanding Convertible Notes convert into Ordinary Shares. If the Noteholder does not elect for Convertible Notes to convert, then the Company must repay the Noteholder the full outstanding amount in respect of those Convertible Notes on completion of a Liquidity Event. The contractual maturity date is 2025 and the current valuation are based on a Liquidity Event prior to 30th June 2020.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of the Group is the Australian dollar (AUD). The currencies in which transactions are primarily denominated are AUD, US dollars ("USD") pounds sterling ("GBP"), Euros ("EUR") and South African Rand ("ZAR").

The Company's reporting currency is Australian dollars. However, the international operations give rise to an exposure to changes in foreign exchange rates as the majority of its revenue from outside of Australia is denominated in currencies other than Australian dollars, most significantly US dollars ("USD"), Pounds Sterling ("GBP"),Euros ("EUR") and South African Rand ("ZAR").

A reasonably possible strengthening (weakening) of the US dollar, Pound Sterling, Euro and South African Rand against all other currencies at 30 June 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Exposure to currency risk
The summary quantitative data about the Group's exposure to currency is as follows (the amounts are presented in AUD thousands).

	30 June 2019 $'000			
	USD	GBP	EUR	ZAR
Trade assets	898	382	383	59
Trade liabilities	(282)	(324)	-	-
Net exposure	**616**	**58**	**383**	**59**

The following significant exchange rates have been applied.

	30 June 2019	30 June 2018
USD 1	1.4255	1.2905
GBP 1	1.8109	1.7388
ZAR 1	0.1015	0.0962
EUR 1	1.6201	1.5402

Sensitivity analysis
A reasonably possible strengthening (weakening) of the USD, EUR, GBP or ZAR against AUD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss	
	Strengthening $'000	Weakening $'000
30 June 2019		
EUR (10% movement)	38	(38)
USD (10% movement)	62	(62)
GBP (10% movement)	6	(6)
ZAR (10% movement)	6	(6)

Interest rate risk
The Group's facility agreement enables it to borrow at floating rates of interest and hold cash that earns interest at floating rates. Consequently, the Group's cash flows are exposed to the impact of adverse changes in benchmark interest rates.

Cash flow sensitivity analysis for variable interest rate instruments
A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit after tax by $41,293. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

22. List of subsidiaries

Name of entity	Country of incorporation	Class of shares	2019 %	2018 %
Ansarada SubCo Pty Limited	Australia	Ordinary	100	100
Ansarada Holdings Pty Limited	Australia	Ordinary	100	100
Ansarada Pty Limited	Australia	Ordinary	100	100
Ansarada International Pty Limited	Australia	Ordinary	100	100
Ansarada UK Ltd	Great Britain	Ordinary	100	100
Ansarada US Inc	United States	Ordinary	100	100
Ansarada Pte. Ltd	Singapore	Ordinary	100	100
Ansarada Hong Kong Limited	Hong Kong	Ordinary	100	100
Ansarada (Pty) Ltd	South Africa	Ordinary	100	100
Ondaro Pty Limited	Australia	Ordinary	100	100
Pesara Pty Limited	Australia	Ordinary	100	100
Ansarada Central and Eastern Europe	Australia	Ordinary	100	100
Ansarada Employee Company Pty Limited	Australia	Ordinary	100	100
Ansarada IP Pty Limited	Australia	Ordinary	100	100
Sambellan Pty Ltd	Australia	Ordinary	100	100
Quam Enterprises Pty Ltd	Australia	Ordinary	100	100
Ansla Pty Ltd	Australia	Ordinary	100	100

23. Related parties

a) Parent entities

The parent entity and the ultimate parent entity of the Group is Ansarada Newco Pty Ltd.

b) Key management personnel

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and include the Directors and certain other senior executives.

	2019 $'000	2018 $'000
Short-term employee benefits	748	733
Post-employment benefits	60	59
Other long-term benefits	115	102
Share Options	112	93
Total KMP compensation	**1,035**	**987**

Short-term employee benefits
These amounts include fees and benefits paid as well as all salary, fringe benefits and cash bonuses awarded to the executive Directors and other KMP.

Post-employment benefits
These amounts are the cost of superannuation contributions made during the year.

Other long-term benefits
These amounts represent long service leave, long-term annual leave benefits and share options accruing during the year.

c) Transactions with related parties

	2019 $'000	2018 $'000
Receivables from associates – Authorities Online Pty Ltd	76	85
	76	**85**

24. Capital and leasing commitments

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated Group, are classified as finance leases.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of lease. Lease incentives received are recognised as an integral part of the total lease expenses over the lease term.

Non-cancellable operating leases contracted for but not recognised in the financial statements	**2019 $'000s**	**2018 $'000s**
Payable – minimum lease payments		
- not later than 12 months	1,322	887
- between 12 months and five years	2,779	3,314
- later than five years	523	784
	4,624	**4,985**

The operating leases are for the Group's premises.

25. Contingent assets and contingent liabilities

There were no contingent assets or liabilities that have been incurred by the Group in relation to 2019 (2018: nil).

26. Share based payments

The Group announced a new share based compensation plan for its employees on 24 December 2018 defined as the "2018 Options". The Group granted 324,425 options during the year with a weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, of $5.172 per option. The options are subject to a three year cliff edge vesting such that all of the Options will vest on the third anniversary of the date of the grant of the Options. The exercise price for the "2018 Options" is $14.86 per share.

The 2016 Options were an option to acquire a share in Ansarada Holdings Pty Ltd subject to the rules of the 2016 ESOP. Following the grant of the 2016 Options on 29th June 2016 there has been restructure of Ansarada's corporate group structure to simplify and consolidate the number of operating entities in the group. As part of this restructure, the holding company of the Ansarada group changed from Ansarada Holdings to Ansarada Newco Pty Ltd. There was also a reduction in the total number of shares in the holding company of Ansarada from 57,500,000 shares to 7,356,674 shares as part of the reorganisation. The Group granted NIL options during the year (FY18: 170,558) in relation to the 2016 ESOP.

The share based payment expense has been calculated using the conversion rate of 0.128 which represents the share consolidation change from pre-structure to post-restructure as a result of a lower number of shares being on issue in the new Group parent entity, Ansarada NewCo Pty Limited. Employees participating in the 2016 ESOP still retain the same number of 2016 Options but the terms of these Options have been varied in accordance with the 2016 ESOP rules as a result of the restructure as follows:

- the 2016 Options will now be exercisable for New Shares in Ansarada NewCo Pty Ltd
- one vested 2016 Option will be exercisable for 0.128 New Shares;

- the exercise price payable to acquire a New Share will be $9.52 per New Share (rather than the exercise price $1.22 payable to acquire an Old Share in Ansarada NewCo Pty Ltd)

The significant inputs into the model were the estimated market share price at grant date, the exercise price shown above, the expected annualised volatility of between 45% and 55%, a dividend yield of 0%, an expected option life of five years and an annual risk-free interest rate of 1.33%. Expected share price volatility has been based on comparable companies' volatility due to the lack of historical trading volumes in the Company's ordinary shares.

The share options granted are only subject to service conditions

	Number of share options	Fair value of share options	Weighted average fair value per option
2019			
Opening	**977,903**	**588,410**	**0.602**
Granted	324,425	1,677,926	5.172
Vested*	298,360	151,269	0.507
Lapsed 2016 options	(602,206)	(305,318)	0.507
Lapsed 2018 options	(129,120)	(667,809)	5.172
Closing	**869,362**	**1,444,478**	**1.662**

	Number of share options	Fair value of share options	Weighted average fair value per option
2018			
Opening	**1,243,161**	**630,282**	**0.507**
Granted	170,558	179,086	1.05
Vested*	(177,197)	(89,839)	0.507
Lapsed	(258,618)	(131,119)	0.507
Closing	**977,903**	**588,410**	**0.602**

*Options cannot be exercised until an Exit Event.

27. Reconciliation of cash flows from operating activities

	2019 $'000	2018 $'000
Profit / (loss) for the year	(26,815)	(696)
Depreciation and amortisation	7,520	6,026
Foreign exchange differences	(87)	59
Fair value adjustment	12,397	918
Decrease / (Increase) in trade and other receivables	336	2,872
(Decrease) / Increase in trade and other creditors	3,119	(2,514)
(Decrease) / Increase in deferred tax assets	(4,753)	(3,051)
(Decrease) / Increase in employee benefits	278	258
(Decrease) / Increase in deferred revenue	2,971	(380)
Decrease / (Increase) in prepayments	(622)	92
Net cash inflow from operating activities	(5,656)	3,584

*Movement in operating activities is based on assets & liabilities acquired on incorporation date.

28. Auditors' remuneration

	2019 $	2018 $
Audit services		
KPMG Australia:		
Audit & review of financial reports	90,000	87,200
Non-Audit services		
KPMG Australia:		
Tax Services	40,000	99,135
Other non-audit services	22,000	27,737
Total remuneration for audit and other assurance services	**152,000**	**214,072**

29. Parent entity disclosures

	2019 $'000	2018 $'000
Result of parent entity	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	-	-
Financial position of parent entity at year end		
Investment in subsidiary	9,314	9,314
Total assets	9,314	9,314
Total liabilities	-	-
Total equity of parent entity comprising of:		
Contributed Equity	(0.2)	(0.2)
Reorganisation reserve	(9,314)	(9,314)
Total equity	(9,314)	(9,314)

30. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for:

- AASB 16 Leases, which becomes mandatory for the Group's 2020 consolidated financial statements. The new standard no longer distinguishes between finance and operating leases. Instead AASB 16 will require the capitalisation of future operating lease payments on balance sheet as a 'right-of-use' lease asset and a corresponding lease liability. The leased asset will be depreciated, whilst interest will be recognised on the lease liability, over the term of the lease. The Group is still assessing the financial impact this standard will have which will form part of the 2020 annual financial report.

31. Subsequent events

In July 2019 Ansarada Newco Pty Ltd issued 8,000,000 convertible notes with a face value of $1.00 to new and existing note holders. The notes accrue interest at 9% per annum from the issue date up to and including the date on which the notes are converted or redeemed. The notes have a maturity date of 1 July 2025. The earliest date the notes may be redeemed (outside of an initial public offering or trade sale) is 1 July 2020. Of the $8.0 million raised, $1.5 million was immediately used to paydown the outstanding bank borrowings of $1.5 million.

Warrants
The new convertible noteholders were issued with warrants equal to 0.15% of the total issued capital of the Company for every $1.0 million of Convertible notes held (at face value). At the time of the issue of new convertible notes, the holders of existing convertible notes were also issued with warrants equal to 0.075% of the total issued capital of the Company for every $1.0 million of convertible notes held (at face value).

The total warrants issued in connection with the new note issue is 233,381, including warrants in relation the $8 million in new notes of 93,841 and warrants in relation to existing notes of 139,540. The terms of the warrants include: an exercise price of $0.01, 5 year term and will entitle the holder to be issued with ordinary shares.

Also, in July 2019, a final 59,433 Series A Preference shares were issued for $0.4 million. These Series A Preference shares have the same rights as the Series A Preference shares issued during the financial year (refer to Note 17).

Other than the matters described above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the result of these operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

1. In the opinion of the directors of Ansarada NewCo Pty Limited ('the Group'):

   (a) the consolidated financial statements and notes that are set out on pages 6 to 30 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at The Rocks, Sydney 31st day of October 2019.

Samuel Riley
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ansarada NewCo Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ansarada NewCo Pty Limited for the financial period ended 30 June 2019 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.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney
31 October 2019

KPMG

Independent Auditor's Report

To the shareholders of Ansarada NewCo Pty Limited

Opinion

We have audited the ***Financial Report*** of Ansarada NewCo Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the peroid ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Ansarada NewCo Pty Limited (the Company) and the entities it controlled at the period end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Ansarada NewCo Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Caoimhe Toouli

KPMG

Caoimhe Toouli
Partner

Sydney
31 October 2019