ansarada

Ansarada NewCo Pty Limited
ABN 54 619 911 223

# Annual Financial Report

For the year ended
30 June 2020

# 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 2020 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 (resigned 29 November 2019)
- Steven Walter Humphries (resigned 24 December 2019)
- David Anthony Leslie
- Peter James (Chairman) (appointed 20 January 2020)
- David Pullini (appointed 17 March 2020)

## 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 23,000 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 160 people across its offices located in Sydney, Chicago, London, Amsterdam, Johannesburg, and Vietnam.

**Product**
Ansarada's efficient and straightforward end-to-end platform is the result of insights from in excess of 23,000 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 to 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 and financial review**

**Business overview**
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. Building on this strategy, Ansarada launched its e-commerce channel in February 2020, allowing Ansarada to further scale a self-service offering and expand its digital customer acquisition capability to win larger volumes of business more efficiently than via a direct sales channel alone.

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 overtime, 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.

**Revenue**
Total recognised revenue for the year ended 30 June 2020 was $33,180,642 (2019: $36,568,537). The decrease was largely due to the impact of COVID-19 and the volume of transactions being significantly reduced in Q4 2020. The Company continues to monitor the global economic impact of COVID-19 across the geographical segments and its customer base. However, the Company has seen an increase in volume of business transaction in Q1 2021 compared to Q4 2020, and this is replicated in number of deals won compared to Q4 2020.

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Revenue | 32,859 | 36,270 |

| | | |
|---|---|---|
| Total revenue and other Income | 33,181 | 36,569 |
| Gross Profit | 30,546 | 33,625 |
| Gross Margin | 92% | 92% |
| Billed Revenue | 33,690 | 39,530 |
| Deferred Revenue | (7,966) | (7,355) |

**Financial overview**

EBITDA is a key earnings measure considered by management in operating the business.
A reconciliation of adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') to statutory profit after tax for the year is as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Profit/(Loss) for the year | (26,025) | (26,815) |
| Add back: Income tax expense | 351 | (4,138) |
| **Statutory loss before income tax expense** | (25,674) | (30,953) |
| Add back: net finance expense | 15,844 | 12,652 |
| Add back: net finance income | (18) | (105) |
| Add back: depreciation and amortisation expense | 8,501 | 7,520 |
| Add back: depreciation right of use asset | 582 | - |
| Add back: non-cash share-based payments | 569 | (7) |
| Add back: non-cash impairment | 2,771 | 274 |
| Add back: Establishment Fee – Convertible note | 701 | - |
| Add back: capital raise & IPO fees | 254 | 226 |
| Add back: restructure payments | 57 | 693 |
| **Adjusted EBITDA** | **3,587** | **(9,700)** |

Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation ('EBITDA'), excluding non-cash share based payments, non-cash impairments, capital raise and IPO fees, legal litigation and redundancies expenses. Underlying information, including this reconciliation to net profit after income tax expense, has been provided in order to meet the demands from the users of the financial reports for information to better understand aspects of the Company's performance.

**Product design and development**

Product design and development costs consist primarily of personnel and related expenses (including salaries, benefits and share based payments) directly associated with product design and development teams, as well as allocated overheads.

The proportion of product design and development expense that creates a benefit in future years and meets the requirements under Australian Accounting Standards (AASB) is capitalisable as an intangible asset and is then amortised to the Income Statement over the estimated life of the asset created.

The Company invested $9.2 million in capitalised development costs during FY2020 and included in the accounting loss is $8.5 million in relation to depreciation and amortisation expenses.
Initial investments to establish the B2B SaaS platform model as at 30th June 2020 have reduced materially, stabilising ongoing operational costs and significantly increasing the Company's ability to scale efficiently.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Total product design and development costs (including amounts capitalised)* | 16,764 | 24,084 |
| Percentage of operating revenue | 50.5% | 65.9% |
| Less capitalised development costs | (9,207) | (10,605) |
| Product design and development costs (excluding amortisation of amounts capitalised)* | 7,557 | 13,479 |
| Percentage of operating revenue | 22.8% | 36.9% |

**Excludes depreciation, amortisation and impairment expense.*

## 6. Significant changes in the state of affairs

*Transformation to a subscription-based SaaS business model.*

As discussed above, in the prior 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 scale the business globally profitably. 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 59,433 Series A Preference shares raising $0.4 million during the financial year.

*Convertible Notes*

In July 2019, 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 noteholders. 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 in July 2019.

In March 2020 Ansarada NewCo Pty Ltd issued 5,000,000 convertible notes with a face value of $1.00 to existing noteholders.

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, see note 8 for further detail regarding redemption for noteholders.

*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 292,050, including warrants in relation the $13 million of new notes of 139,540 and warrants in relation to existing notes of 152,510.

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 2020 (2019: $Nil).

## 8. Events subsequent to reporting date

### Planned Merger

On 29th September 2020, Ansarada NewCo Pty Ltd entered into a Sale Deed with thedocyard Limited (ASX: TDY). Under the terms of the Deed, thedocyard (TDY) will, subject to satisfaction of conditions acquire 100% of Ansarada. The proposed transaction will comprise of an acquisition of all the existing shares and options in Ansarada NewCo Pty Ltd (or notes, in relation to selling noteholders) by TDY from each shareholder of Ansarada NewCo Pty Ltd, including noteholders that elect to convert its notes to shares in the Company as part of the proposed transaction, for 100% scrip consideration. For each noteholder, that elects to sell its notes direct to thedocyard (TDY) in exchange for scrip, the price payable will be the price it would have received if it had converted its shares in the Company. TDY shareholders will hold 20% of the new entity, while Ansarada stakeholders (being convertible noteholders and shareholders) will hold 80%, on a fully diluted basis.

TDY will undertake a capital raising of a minimum of $45.0 million in capital under a prospectus, the proceeds of which will be applied as follows approximately $20 million will be retained by the new entity for capital and growth, with the remainder of the proceeds applied to redeeming the convertible notes of the Noteholders who have not elected to convert to shares and have not already received proceeds for redemption directly from the Company or sell their Notes to TDY in exchange for scrip consideration and also to pay transaction costs associated with the proposed transaction. The proposed transaction must be approved by a special majority resolution of shareholders (i.e. shareholders holding of the total issued share capital of Ansarada NewCo Pty Ltd, and TDY will acquire shareholder approval including in accordance with the ASX listing rules. Both parties are currently working to complete the proposed acquisition by early December 2020.

The proposed transaction seeks to capitalise on the established capabilities of Ansarada NewCo Pty Ltd and thedocyard (TDY) to bring to market a cloud-based SaaS platform comprising industry leading virtual data room, AI powered reporting, workflow automation tools, project management and document security.
The Company and thedocyard (TDY) expect to generate increased revenues through the expected opportunities to cross-sell of thedocyards products, to our current base of over 2,600 active corporate and advisor customers globally and vice versa. The proposed merger is expected to create a clear pathway towards substantial recurring and enterprise SaaS revenue across a global customer base.

### Employee Share Options

In July 2020, the Company granted 101,454 options under the employee share option plan (ESOP), at a weighted average price of $7.07 determined using the Black-Scholes valuation model. The share options will vest on the first anniversary of the date of the grant of the options and cannot be exercised until an Exit Event.

### Sydney Lease agreements

In September 2020, the Company agreed to a 5 year extension of its current lease at Level 2, 80 George Street, The Rocks, NSW 2000 to terminate on 30 November 2027. As part of the agreement, a deed of surrender was agreed for a new lease at 70 George Street, The Rocks, NSW 2000, which was due to commence in September 2020. The total surrender payment is $1.5 million, which is payable over 7 years payable on and from 1 June 2021. The surrender payment has been included in the variation lease agreement for Level 2, 80 George Street, The Rocks, NSW 2000 which is Ansarada's current office space.

### Deregistration of dormant entities

Please refer to Note 24 regarding deregistration of dormant entities subsequent to 30 June 2020.

### Issue of Ordinary Shares

The Company through the terms of the Sale Deed signed September 29, has formalised a commitment to issue the Adara Group 74,311 ordinary shares which was equivalent to 1% of the share capital at the time of the proposal. Adara Group has executed the Deed of Accession dated October 8, 2020 in agreement of the terms of the Sale Deed. In connection with the transaction with thedocyard Limited (TDY), these ordinary shares would be acquired by thedocyard Limited (TDY) and the Adara Group would be issued with shares in in TDY in the same proportion as other holders of ordinary shares

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.

## 9. Likely developments

Other than changes mentioned above in Note 8, 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 | 14,750 | 8,915 |
| Rachel Christina Riley | 915,463 | 12,932 | Nil |
| Andrew Slavin | 2,441,235 | 12,932 | Nil |
| David Pullini | Nil | 6,590 | Nil |
| Peter James | Nil | 14,052 | 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 2020, and since the financial year, the Group has paid premiums in respect of such insurance contracts for the year ending 30 June 2020. 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. 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 39 and forms part of the directors' report for the financial year ended 30 June 2020.

## 13. 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...................................... Sydney..21st..................day of..October..........2020.

.........................................
Samuel Riley, Director

.........................................
David Pullini, Director

# Consolidated statement of profit or loss and other comprehensive income

| | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Revenue | 8 | 32,859 | 36,270 |
| Other income | 8 | 322 | 299 |
| **Total revenue and other income** | | **33,181** | **36,569** |
| Cost of revenues | | (2,635) | (2,944) |
| **Gross profit** | | **30,546** | **33,625** |
| | | | |
| Product design and development | 10 | (18,753) | (21,273) |
| Sales and Marketing | 10 | (11,665) | (21,388) |
| General and Administration | 10 | (9,274) | (9,370) |
| **Total operating expenses** | | **(39,692)** | **(52,031)** |
| | | | |
| **Operating Profit /(loss)** | | **(9,146)** | **(18,406)** |
| | | | |
| Finance income | | 18 | 105 |
| Finance expense | 12 | (16,546) | (12,652) |
| **Net finance cost** | | **(16,528)** | **(12,547)** |
| **Profit /(loss) before income tax** | | **(25,674)** | **(30,953)** |
| Income tax benefit/(expense) | 14 | (351) | 4,138 |
| **Profit/(Loss) for the year** | | **(26,025)** | **(26,815)** |
| | | | |
| **Other comprehensive income** | | | |
| Items that may subsequently be re-classified to Profit or Loss, net of tax | | | |
| Foreign currency translation differences for foreign operations | | 1 | (2) |
| **Total comprehensive (loss)/profit for the year** | | **(26,024)** | **(26,817)** |

The Group has initially applied AASB 16 Leases at 1 July 2019, using the modified retrospective approach, under which the operating Right of Use asset (ROU) is recognised equal to the lease liability, subject to certain exemptions. Comparative information is not restated. See Note 4 for further information regarding the transition to AASB 16 Leases on 1 July 2019.

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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 9,069 | 2,570 |
| Trade and other receivables | 15 | 2,795 | 3,918 |
| Other current assets | | 1,341 | 1,537 |
| **Total current assets** | | **13,205** | **8,025** |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 17 | 23,422 | 24,642 |
| Property, plant and equipment | 16 | 1,536 | 2,230 |
| Right of Use Asset | 18 | 2,980 | - |
| Related party receivables | | - | 76 |
| Deferred tax asset | 14 | 5,377 | 5,377 |
| **Total non-current assets** | | **33,315** | **32,325** |
| **Total assets** | | **46,520** | **40,350** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 22 | (6,209) | (6,217) |
| Lease Liabilities | 26 | (1,030) | - |
| Borrowings | | - | (1,506) |
| Employee benefits | 13 | (1,526) | (1,256) |
| Convertible note payable | 21 | (63,866) | - |
| Warrants | 21 | (1,700) | - |
| Deferred revenue | 8 | (7,966) | (7,355) |
| **Total current liabilities** | | **(82,297)** | **(16,334)** |
| | | | |
| **Non-current liabilities** | | | |
| Lease Liabilities | 26 | (2,332) | - |
| Convertible note payable | 21 | - | (37,100) |
| Employee benefits | 13 | (138) | (148) |
| Provisions | | (293) | (292) |
| **Total non-current liabilities** | | **(2,763)** | **(37,540)** |
| **Total liabilities** | | **(85,060)** | **(53,874)** |
| | | | |
| **Net assets/(liabilities)** | | **(38,540)** | **(13,524)** |
| | | | |
| **EQUITY** | | | |
| Share capital | 19 | 2,673 | 2,234 |
| Retained earnings/(loss) | | (42,101) | (16,076) |
| Reserves | 19 | 888 | 318 |
| **Total equity** | | **(38,540)** | **(13,524)** |

The Group has initially applied AASB 16 Leases at 1 July 2019, using the modified retrospective approach, under which the operating Right of Use asset (ROU) is recognised equal to the lease liability, subject to certain exemptions. Comparative information is not restated. See Note 4 for further information regarding the transition to AASB 16 Leases on 1 July 2019.

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 2019** | **0.2** | **2,234** | **283** | **-** | **35** | **(16,076)** | **(13,524)** |
| **Total comprehensive income for the period:** | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | - | (26,025) | (26,025) |
| **Other comprehensive Income for the period:** | | | | | | | |
| Foreign currency translation differences for foreign operations net of tax | - | - | - | - | 1 | - | 1 |
| **Total comprehensive loss for the period** | - | - | - | - | **1** | **(26,025)** | **(26,024)** |
| **Transactions with owners of the company** | | | | | | | |
| Issue of ordinary shares – conversion of warrants | 39 | - | - | - | - | - | 39 |
| Share based payment expense | - | - | 569 | - | - | - | 569 |
| Issue of Preference A shares | - | 400 | - | - | - | - | 400 |
| **Balance at 30 June 2020** | **39** | **2,634** | **852** | **-** | **36** | **(42,101)** | **(38,540)** |

| | 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)** |

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 | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 38,444 | 43,237 |
| Payments to suppliers and employees (inclusive of GST) | | (34,033) | (48,380) |
| Proceeds from Government grant | 11 | 528 | - |
| Interest received | | 18 | 105 |
| Interest paid | | (199) | (502) |
| Income tax paid | | (137) | (116) |
| **Net cash inflow / (outflow) from operating activities** | 29 | **4,621** | **(5,656)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (74) | (720) |
| Capitalised development costs | | (9,207) | (10,605) |
| **Net cash (outflow) from investing activities** | | **(9,281)** | **(11,325)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of convertible notes | 21 | 13,000 | - |
| Repayments of lease liabilities[1] | | (761) | - |
| Proceeds from issue of share capital | 19 | 400 | 2,234 |
| Repayment of borrowings | 20 | (1,506) | (2,836) |
| **Net cash inflow / (outflow) from financing activities** | | **11,133** | **(602)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **6,473** | **(17,583)** |
| Cash and cash equivalents at the beginning of the year | | 2,570 | 20,138 |
| Effect of exchange differences on cash balances | | 26 | 15 |
| **Cash and cash equivalents at end of year** | | **9,069** | **2,570** |

[1]The Group has initially applied AASB 16 leases at 1 July 2019, using the modified retrospective approach, under which the opening right of use asset (ROU) is recognised equal to lease liability, subject to certain exemptions. Comparative information is not restated.

The application of AASB 16 Leases has led to operating lease payments previously included in net cash from operating activities now being as payments of leases liabilities within net cash from financing activities. Refer to Note 4 for further information regarding the transition to AASB 16 Leases.

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’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 21 October 2020.

The consolidated financial statements have been prepared on the historical cost basis except the following items which are measured on an alternative basis at each reporting date.

| Items | Measurement Basis |
|---|---|
| Share based payments | Fair value at grant date |
| Convertible notes | Fair value |

This is the first set of the Group’s annual financial statements in which AASB 16 Leases has been applied. Refer to details in Note 4.

## 3. Going Concern

The directors have determined that the financial statements should be prepared on a going concern basis. The directors' basis for the assessment is set out in this note. On 29 September 2020, Ansarada NewCo Pty Ltd entered into a binding Sales Deed with thedocyard Limited (TDY) (‘merger’) (refer note 32) whereby TDY will, subject to a capital raise of a minimum of $45 million other conditions precedent and other standard approvals, acquire 100% of the issued shares of the Company. Upon completion of this merger, the Company will be debt free with $25 million of the outstanding convertible notes redeemed and the remainder converted to ordinary shares.

For the year ended 30 June 2020, the Group has incurred a loss after income tax of $26.0 million (2019: loss $26.8 million). As at 30 June 2020, the Group’s net liability position was $38.5 million (2019: net liability position $13.5 million) and it had a net current liability position of $69.1 million (2019: net current liability position $8.3 million). Notwithstanding this, the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The operating loss and net current liability position have been adversely impacted by the accounting for the $63.9 million convertible note liability and warrants associated with the convertible notes of $1.7 million during the period. Additionally, the operating result was impacted by transition to a subscription based business model from October 2018, significant product development costs and difficult trading conditions as a result of COVID-19.

As set out in note 23, the convertible notes are measured at their fair value as at the reporting date. The convertible notes liability increased during the year ended 30 June 2020, with the related non-cash expense recognised as finance expense of $13,786,000 (2019: finance expense $12,397,000). For accounting purposes, the convertible notes are classified as a current liability, as from 1 July 2020, the convertible noteholders may issue a Redemption Notice to declare the outstanding amounts in respect of the notes to be due and payable, no earlier than 90 days after the Redemption Notice. The total amount of the Redemption if requested as at 30 June 2020 would be $43.0 million. They may also elect to convert the convertible Notes to equity prior to the maturity date of 1 July 2025. Any remaining unredeemed and unconverted convertible Notes will be repaid in cash at the maturity date. The Company may, at its option, elect to redeem the Notes or require that the Notes be converted into Ordinary Share for two noteholders which have a combined liability carrying value of $3.6 million at 30 June 2020.

The Sale Deed for the merger has been executed and all convertible noteholders have agreed to the terms of the merger and have executed a Deed of Accession to the Sale Deed which overrides the right to issue a redemption notice while the transaction is continuing. If the transaction is unsuccessful or the Sale Deed or Merger Implementation Deed is terminated, then the rights of the noteholders revert to the original terms. Concurrently, TDY will undertake a related capital raising with a minimum cash subscription of $45 million. Out of this raising, and from additional cash of the company, $25 million will be applied to redeem the Group's convertible notes where the convertible noteholders have not elected under Accession Deeds delivered to the Company on or about 14 October 2020 to convert the notes to ordinary shares in the Company. Remaining new funds will be retained by TDY for working capital, to fund future growth and to pay costs associated with the proposed transaction (with the capital raising amount to be set at a level that will ensure that there is $20 million working capital in the business after payment of costs).

The proposed acquisition of all of the shares in the Company and the related capital raising by TDY, are subject to the completion of the capital raise and required approvals, including shareholders of the Company and TDY and ASIC and ASX requirements as in normal in a transaction of this type. The Company has begun to market the merger and has received non-binding indications of interest in relation to the capital raise from a number of institutional investors. Thedocyard's (**TDY**) announcement of 30 September 2020 states that each member of the TDY board currently intends to vote in favour of the merger (subject to any relevant voting restrictions), subject to no superior proposal emerging for TDY. The founders of Ansarada who account for over 75% of ordinary shares also currently intend to vote in favour of the merger.

In the event that the merger of all of the shares in the Company by TDY and the related capital raising are unsuccessful, the Company will continue to operate as a going concern. If the merger is unsuccessful, and there is a redemption request that cannot be satisfied by the existing cashflows of the business, the directors have identified potential alternative strategies to secure funding and/or defer redemption of the convertible notes, to enable to group to continue as a going concern. These include:

- Negotiation an agreement to defer redemption from the convertible noteholders
- Negotiate a recapitalisation with an equity partner(s)
- Undertake an Initial Public Offering (IPO)
- Explore alternative providers of debt funding
- Seek to assess the issuance of further borrowing instruments
- Realisation of value through a trade sale

In the event that the Company is unsuccessful in implementing the merger and related capital raising and if there is a redemption notice request that cannot be satisfied by the existing cashflows of the business, and the Company is unsuccessful in implementing one or more of the alternative strategies described above, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## 4. Adoption of AASB 16 Leases from 1 July 2019

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. On transition to AASB 16, all leases entered into by the Group were classified as operating leases under AASB 117 and related interpretations, and the payments recognised on a straight-line basis in the consolidated statement of profit or loss over the term of the lease. The details of the changes in accounting policies are disclosed below.

a) Definition of leases
Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group has entered into non-cancellable leases on certain properties and other items of plant and equipment. Leases vary in contract term, with renewal at the option of the Group. On renewal, the terms of the leases are usually renegotiated. Our leases mainly relate to building assets in Australia and United States of America.

Short term and low value asset leases are accounted for using the previous method of accounting (in accordance with recognition exemption provided in the standard), whereby the sum of lease payments is recognised on a straight-line basis over the lease term in the income statement. Short term leases are those with terms equal to or less than 12 months, and low value assets.

b) Changes to accounting
The Group recognises a right-of-use asset and a lease liability at the lease commencement date, being the date that the underlying asset is available for use. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjustment for certain remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of recognised lease liabilities, initial direct costs inherent to the lease, and the expected costs to make good the leased asset, less any incentive received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. In Ansarada NewCo, the nature and structure of the lease portfolio is such that the interest rate implicit in the leases is not readily determinable. Therefore, Ansarada NewCo uses the Incremental Borrowing Rate (IBR) for terms which approximate the lease term to discount the future value of lease payments. The lease payments include fixed payments (including in substance fixed payments) and variable lease payments that depend on an index or rate. Variable payments that do not depend on an index or rate are recognised as an expense in profit or loss as they are incurred. These payments, previously expensed within EBITDA on a straight-line basis, are replaced by the straight-line depreciation of the right of use asset and reduce the lease liability. As the lease liability is carried at present value, an interest expense arises over the duration of the lease term.

The principal component of lease payments is reclassified in the statement of cash flows from operating to financing activities.

The Lease Liability is remeasured when there is a change in future payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

*c) Transition*
The opening lease liabilities balance has been determined as the present value of future lease payments, discounted using incremental borrowing rates for terms which approximate the remaining lease term as at the date of initial application.

The opening right of use assets balance has been determined as follows:

- for the Group's 2 largest property leases which represent the bulk of the Group's total leases (by total committed future cash flows), as the present value of committed lease payments since commencement of the lease, less cumulative straight-line depreciation and utilising 1 July 2019 discount rates for durations equivalent to the remaining lease term.

Practical expedients included in the standard for transition have been applied by the Group as follows:

- exclusion of leases with remaining terms of less than 12 months from the new accounting requirements

- use of hindsight in determining the lease term where lease contracts include options to extend or terminate the lease

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.3%.

Determination of the lease term is a key judgement exercised by management on a recurring basis. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

*d) Impacts on transition*
Impacts on the financial statements and notes as at and for the year ended 30 June 2020 are shown throughout this report.

The following is a reconciliation of total operating lease commitments as at 30 June to lease liabilities as at 1 July 2019:

| **Balance Sheet as at 1 July 2019** | **2019** |
|---|---|
| | **$'000** |
| Operating lease commitments as at 30 June 2019 | 4,624 |
| Less: short term leases as at 30 June 2019 | (429) |
| Discounted using the lessee's incremental borrowing rate at date of initial application | (232) |
| **Lease Liability recognised as at 1 July 2019** | **3,963** |
| | |
| Of which are: | |
| Current lease liabilities | 793 |
| Non-current lease liabilities | 3,170 |
| Lease Liability recognised as at 1 July 2019 | **3,963** |

| **Balance Sheet as at 1 July 2019 – Right of Use Asset** | **2019** |
|---|---|
| | **$'000** |
| Right of Use Asset opening as at 1st July 2019 | 3,963 |
| Lease Incentive derecognised* | (127) |
| **Right of Use Asset recognised as at 1 July 2019** | **3,836** |

* Lease incentive was recognised on the Statement of Financial Position as at 30 June 2019. The carrying value was derecognised on 1st July 2019 and recognised in Right of Use Asset when AASB 16 was adopted.

## 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.

Coronavirus (COVID-19)
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, staffing and geographic regions in which the Company operates. The key accounts primarily impacted during the period are employee expenses, and trade and other receivables.

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 business continuity 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

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.

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** | **2020** | **2019** |
|---|---|---|
| | **$'000** | **$'000** |
| Platform subscription fees | 24,565 | 12,477 |
| Transactional Usage fees | 8,294 | 23,712 |
| Base fees | - | 81 |
| **Total revenue** | **32,859** | **36,270** |
| Other income | 322 | 299 |
| **Total revenue and other income** | **33,181** | **36,569** |

**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.

| | **2020** | **2019** |
|---|---|---|
| | **$'000** | **$'000** |
| **Total Deferred revenue** | **7,966** | **7,355** |

*Contract balances*

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

| | **2020** | **2019** |
|---|---|---|
| | **$'000** | **$'000** |
| Receivables which are included in Trade and other receivables (Note 15) | **2,258** | **3,622** |

## 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** | **2020** | **2019** |
|---|---|---|
| | **$'000** | **$'000** |
| ANZ (Australia and New Zealand) | 18,116 | 20,642 |
| America | 4,087 | 4,924 |
| Asia | 1,705 | 1,639 |
| Europe | 4,660 | 4,508 |
| Middle East and Africa | 1,685 | 1,348 |
| United Kingdom | 2,928 | 3,508 |
| **Total revenue by geographic location** | **33,181** | **36,569** |

## 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 Accounting standards, 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**

| | **2020** | **2019** |
|---|---|---|
| | **$'000** | **$'000** |
| Employee benefits | 17,952 | 28,522 |
| *Included in functional expenses as follows:* | | |
| Sales and marketing expenses | 6,042 | 13,467 |
| Product design and development expenses | 5,753 | 9,680 |
| General and administration expenses | 6,157 | 5,375 |
| **Total** | **17,952** | **28,522** |
| | | |
| Depreciation and amortisation | 8,501 | 7,520 |
| *Included in functional expenses as follows:* | | |
| Sales and marketing expenses | 226 | 288 |
| Product design and development expenses | 8,148 | 7,110 |
| General and administration expenses | 127 | 122 |
| **Total** | **8,501** | **7,520** |

## 11. Government Grants

In April 2020, the Company received Government Grants in the form of Jobkeeper, which is a scheme introduced by the Australian Government to support businesses significantly affected by COVID-19. Jobkeeper payments are considered 'government grants' and accounted for under *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance* because they are provided by the Government in return for compliance with conditions relating to the operating activities of the Company. The Company has complied with the conditions attached to them and paid all eligible employees under the scheme. The Company recognised the receipt of government grant income on a "net" basis against salary and wages. The total amount of jobkeeper received from the Australian Government was $528,000 as at 30 June 2020 and recognised in statement of cashflow under operating activities. An additional amount of $264,000 was received subsequent to year-end in relation to June 2020.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Government grant income – recognised in expenses | 792 | - |

## 12. Finance expense

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

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| *Finance expense* | | |
| Interest expense - bank | (200) | (411) |
| Interest expense – lease liability | (122) | - |
| Establishment Fee – Convertible note | (701) | - |
| Net foreign exchange gain / (loss) | (18) | 156 |
| | | |
| *Fair Value Adjustment* | | |
| Convertible Note (Note 21,23) | (13,786) | (12,397) |
| Warrants (Note 21) | (1,719) | **-** |
| **Total finance expense** | **(16,546)** | **(12,652)** |

## 13. 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.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| CURRENT | | |
| Annual leave | 1,299 | 1,048 |
| Long -Service Leave | 227 | 208 |
| | **1,526** | **1,256** |
| | | |
| NON-CURRENT | | |
| Long-service leave | 138 | 148 |
| **Total employee benefits** | **1,664** | **1,404** |

## 14. Current and Deferred Income Tax

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*

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 recognised a net deferred tax asset of $5.4 million as at 30 June 2019, 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.

*Unrecognised temporary differences*

The Company has elected to defer recognition of tax losses of approximately $11.4 million in relation to the current financial year. The current tax losses can be deducted from taxable income in future periods, if the Company continues to pass the Continuity of Ownership and the Similar Business test. Furthermore, the Company has elected to defer the recognition of its current year non-refundable research and development expenditure of $791,863 which is equivalent to $304,867 of a R&D Tax offset against taxable income. The Company has concluded due to the tax asset already recognised on the Statement of Financial Position which will be utilised against future assessed future profits, it is not appropriate to increase its recognised deferred tax asset (DTA) temporary differences until these losses have been recognised against future taxable profits. An amount of $3.1 million deferred tax asset relating to temporary timing differences were unrecognised at 30 June 2020 At the end of each reporting period, the Company reviews its tax assets to determine the probability that it will be able to offset this tax asset against future taxable profits. If any such indication exists, that the tax asset recognised is not recoverable the Company will not recognise additional tax losses and write down current tax asset if necessary.

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.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Income tax expense** | | |
| Current tax expenses | 351 | 616 |
| Deferred tax expense/ (benefit) | - | (4,754) |
| **Total** | **351** | **(4,138)** |

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **(Loss)/Profit before income tax expense** | (23,716) | (30,953) |
| Tax at the Australian tax rate of 27.5% (2019: 27.5%) | (6,522) | (8,512) |
| Effects of tax rates in foreign jurisdictions | 351 | 117 |
| Tax effect of: | | |
| Non-deductible expenses | 3,373 | 3,036 |
| Adjustment to current tax for overs/under from prior year | - | 500 |
| Tax incentives | (305) | (1,440) |
| Net deferred and development expense deferred | 305 | - |
| Change in recognised deductible temporary differences | - | 2,161 |
| Losses not recognised in current year | 3,149 | - |
| **Total** | **351** | **(4,138)** |

**(a) Movement in deferred tax balances**

| **2020** | Balance<br>1 July<br>$'000 | Recognised in statement of Profit and loss<br>$'000 | Balance<br>30 June<br>$'000 | Assets<br>$'000 | Liabilities<br>$'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | (3) | 106 | 103 | 213 | (110) |
| Intangible assets | (5,832) | 295 | (5,537) | - | (5,537) |
| Annual leave | 288 | 53 | 341 | 341 | - |
| Long service leave | 98 | 3 | 101 | 101 | - |
| Prepayments | (4) | 3 | (1) | - | (1) |
| R&D credits | 5,096 | - | 5,096 | 5,096 | - |
| Right of use asset | - | (724) | (724) | - | (724) |
| Lease liability | - | 774 | 774 | 774 | - |
| Other items | 260 | (510) | (250) | - | (250) |
| Tax losses | 5,474 | - | 5,474 | 5,474 | - |
| Net tax assets/ (liabilities) | **5,377** | **0** | **5,377** | **11,999** | **(6,622)** |

| **2019** | Balance<br>1 July<br>$'000 | Recognised in statement of Profit and loss<br>$'000 | Balance<br>30 June<br>$'000 | Assets<br>$'000 | Liabilities<br>$'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)** |

### (b) Franking credit balance

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Franking account balance at the end of the financial year | 1,813 | 1,813 |

## 15. 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 and have increased probability of customers delaying payment or being unable to pay due to the Coronavirus (COVID-19) pandemic. 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.

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Trade receivables | 2,395 | 3,807 |
| Provision for impairment of receivables | (137) | (185) |
| Trade receivables (net of provision for impairment) | 2,258 | 3,622 |
| Supplier deposits and other receivables | 537 | 296 |
| **Total trade and other receivables** | **2,795** | **3,918** |

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is disclosed in Note 23.

## 16. 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.

| **2020** | **Computer equipment $'000** | **Furniture $'000** | **Leasehold improvements $'000** | **Total $'000** |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | 1,474 | 1,779 | 3,461 | 6,714 |
| Additions | 49 | - | - | 49 |
| Disposals | (17) | (64) | (49) | (130) |
| Foreign currency translation | 1 | 4 | 37 | 42 |
| Closing balance | 1,507 | 1,719 | 3,449 | 6,675 |
| | | | | |
| **Accumulated depreciation** | | | | |
| Opening balance | (988) | (1,379) | (2,117) | (4,484) |
| Depreciation | (261) | (168) | (252) | (681) |
| Disposals | 5 | 30 | 8 | 43 |
| Foreign currency translation | (1) | (2) | (14) | (17) |
| Closing balance | (1,245) | (1,519) | (2,375) | (5,139) |
| | | | | |
| **Carrying amounts** | | | | |
| At 30 June 2019 | 486 | 400 | 1,344 | 2,230 |
| At 30 June 2020 | 262 | 200 | 1,074 | 1,536 |

| **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 |

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## 17. 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.

Management have performed an impairment review of its intangibles assets as at 30 June 2020. As part of the review, it was identified that $2,694,653 of assets which are categorised as "Capital Work in Progress" from financial year 2018 and 2019 have been discontinued. After assessing the above, the group recognised an impairment loss of $2,694,653 during the year ended 30 June 2020 on write-down of software development due to the carrying value of the asset exceeding its recoverable amount. Management have concluded that the impairment loss was recognised within Product design and development in the Consolidated statement of profit or loss and other comprehensive income.

| **2020** | **Software Platform $'000** | **Mobile Applications $'000** | **Capital WIP $'000** | **Total $'000** |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | 37,580 | 1,044 | 5,368 | 43,992 |
| Additions | 8,332 | - | 875 | 9,207 |
| Reclassification | 987 | - | (987) | - |
| Closing balance | 46,899 | 1,044 | 5,256 | 53,199 |
| | | | | |
| **Accumulated amortisation and impairment losses** | | | | |
| Opening balance | (18,678) | (398) | (274) | (19,350) |
| Amortisation | (7,497) | (235) | - | (7,732) |
| Impairment | - | - | (2,695) | (2,695) |
| Closing balance | (26,175) | (633) | (2,969) | (29,777) |
| | | | | |
| **Carrying amounts** | | | | |
| At 30 June 2019 | 18,902 | 646 | 5,094 | 24,642 |
| At 30 June 2020 | 20,724 | 411 | 2,287 | 23,422 |

| 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 |
| 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 |

### 18. Right-of-use assets

| *Non-current assets* | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Right-of-use assets | 2,980 | - |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Recognition of right of use asset on initial application of AASB 16 | 3,836 | - |
| Additions | - | - |
| Depreciation expense | (892) | - |
| Foreign exchange adjustment | 36 | |
| Closing Balance | 2,980 | - |

### 19. Capital and reserves

| **(a) Share capital** *2020* | 2020 Shares | 2020 $'000 | 2019 Shares | 2019 $'000 |
|---|---|---|---|---|
| ***Ordinary Shares*** | | | | |
| Balance at the end of reporting period | 7,360,871 | 39 | 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.

In July 2019, Toriadge Pty Limited were issued 4,107 ordinary shares on exercise of warrants held. The consideration received for these shares was $41. The fair value of these warrants was $38,774 and this was determined using Black Scholes valuation model.

The significant inputs into the model were the estimated market share price at grant date, the exercise price of $0.01, 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.

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

| **(b) Share capital** *2020* | **2020 Shares** | **2020 $'000** | **2019 Shares** | **2019 $'000** |
|---|---|---|---|---|
| **Preference A Shares** | | | | |
| Balance at the end of reporting period | 391,413 | 2,634 | 331,980 | 2,234 |

(iii) The Company issued 331,980 Series A preference shares in the 2019 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.

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Foreign currency translation reserve | **36** | **35** |

**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.

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Share based payment reserve | **852** | **283** |

**(d) Capital management**

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| Total borrowings | - | (1,506) |
| Total convertible notes payable | (65,556) | (37,100) |
| Less cash and cash equivalents | 9,069 | 2,570 |
| **(Net debt) / Net cash and cash equivalents** | **(56,487)** | **(36,036)** |
| Total equity | **(38,540)** | **(13,524)** |
| **Total capital** | **(95,027)** | **(49,560)** |

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 $63.8 million (2019: $37.1 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. Only unconverted notes will become payable on demand at the maturity date.

On 18th August 2020, Ansrada NewCo Pty Ltd entered into a Heads of Agreement with thedocyard Limited (ASX: TDY). At present, a capital raise is underway to raise of a minimum of $45.0 million in capital under a prospectus, the proceeds of which will be applied as follows approximately $20 million will be retained by the new entity for capital and growth, with the remainder of the proceeds applied to redeeming the convertible notes of the Noteholders who have not elected to convert to shares or sell their Notes to TDY in exchange for scrip consideration and also to pay transaction costs associated with the proposed transaction. The company, with the help of its advisors, has undertaken a process to provide liquidity to Noteholders with indications of value received prior to June 30, 2020. The value of the indicative offers more than covered the total note redemption value and the fully discounted conversion value.

## 20. 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.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Bank loans –current | - | 1,506 |
| **Total bank borrowings** | **-** | **1,506** |

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 21.

## 21. Convertible notes payable and warrants

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Principle amount | 23,784 | 23,784 |
| Additional convertible notes issued during the year | 13,000 | - |
| Fair value adjustment (cumulative) | 27,102 | 13,316 |
| Warrants | 1,700 | - |
| **Carrying amount of convertible notes liability and warrants** | **65,566** | **37,100** |

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 23.

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. Of the $8.0 million raised, $1.5 million was immediately used to paydown the outstanding bank borrowings of $1.5 million. Also, in March 2020 Ansarada Newco Pty Ltd issued an additional 5,000,000 convertible notes with a face value of $1.00 to existing noteholders.

The total warrants issued in connection with the convertible note is 292,050, including 152,510 warrants in relation to the $13 million in new notes issued during the year and 139,540 of warrants in relation to existing notes. 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. During the period, 4,107 of warrants were exercised and have converted these warrants to ordinary shares, refer 19 (a).

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 23.

## 22. 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.

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Trade payables | 2,456 | 3,909 |
| Sundry payables and accrued expenses | 3,753 | 2,308 |
| **Total trade and other payables** | **6,209** | **6,217** |

Information about the Group's exposure to currency and liquidity risk is included in Note 23.

## 23. 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 | 2020 | 2019 |
|---|---|---|
| 30 June 2020 | $ million | $ million |
| Embedded conversion feature | 20.9 | 9.8 |
| Debt component (discounted cash flow) | 43.0 | 27.3 |
| Fair Value of the Convertible Notes | 63.9 | 37.1 |
| Face value of the Convertible Notes (excluding interest) | 36.7 | 23.8 |

Management for the 30 June 2020 valuation, has derived the embedded derivative by calculating the fair value of the notes and the fair value of the debt component.

Management determined the fair value of the debt component of the Notes at 30 June 2020 using the discounted cash flow method, discounting the expected future cash flows from the Notes (being the accrued coupon payments and the return of capital), to a net present value as at 30 June 2020, applying a discount rate based on Government bond rates at 30 June 2020.

The period in respect of which the cash flows are discounted (and consequently the capital and coupon returned at this date), was determined based on management's expectation of a liquidity event likely to occur in December 2020 as per the details announced to the ASX on the merger of TDY and Ansarada (95% probability) with a small probability the transaction is delayed to June 2021 (5% probability).

## (4) 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:

| | | 2020 $'000 | | 2019 $'000 | |
|---|---|---|---|---|---|
| | Accounting classification | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade and other receivables | Amortised cost | 175 | 175 | 3,918 | 3,918 |
| Cash and cash equivalents | Amortised cost | 9,069 | 9,069 | 2,570 | 2,570 |
| Bank loan | Amortised cost | - | - | (1,506) | (1,506) |
| Trade and other payables | Amortised cost | (6,373) | (6,373) | (6,217) | (6,217) |
| Convertible note payable | FVTPL | (63,886) | (63,886) | (37,100) | (37,100) |

### (4) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

**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 2020, the ageing of trade receivables that were not impaired was as follows:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Not past due | 1,739 | 2,616 |
| Past due 1-30 days | 326 | 775 |
| Past due 31-90 days | 275 | 253 |
| Past due 91-120 days | 55 | 163 |
| | **2,395** | **3,807** |

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** | **Total** | **Less than 1 year** | **1-5 years** |
| **2020** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial liabilities** | | | | |
| Trade and other payables | 6,209 | 6,209 | 6,209 | - |
| Bank loan | - | - | - | - |
| Lease liability | 3,362 | 3,500 | 1,098 | 2,402 |
| Convertible note | 63,886 | 65,795 | 65,795 | - |
| **Total** | **73,457** | **75,504** | **73,102** | **2,402** |

| | | Contractual cash flow | | |
|---|---|---|---|---|
| | **Carrying amount** | **Total** | **Less than 1 year** | **1-5 years** |
| **2019** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial liabilities** | | | | |
| Trade and other payables | 6,217 | 6,217 | 6,217 | - |
| Bank loan | 1,506 | 1,567 | 1,567 | - |
| Convertible note | 37,100 | 44,907 | - | 44,907 |
| **Total** | **44,823** | **52,691** | **7,784** | **44,907** |

*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 occurring prior to 31st December 2020. Refer details in Note 3.

(iii) **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 2020 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 2020 $’000 | | | |
|---|---|---|---|---|
| | USD | GBP | EUR | ZAR |
| Trade assets | 370 | 131 | 237 | 1,314 |
| Trade liabilities | (238) | (55) | - | - |
| **Net exposure** | **132** | **76** | **237** | **1,314** |

The following significant exchange rates have been applied.

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| USD 1 | 1.4543 | 1.4255 |
| GBP 1 | 1.7929 | 1.8109 |
| ZAR 1 | 0.0839 | 0.1015 |
| EUR 1 | 1.6330 | 1.6201 |

*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 2020** | | |
| EUR (10% movement) | 24 | (24) |
| USD (10% movement) | 13 | (13) |
| GBP (10% movement) | 8 | (8) |
| ZAR (10% movement) | 131 | (131) |

*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.

## 24. List of subsidiaries

| Name of entity | Country of incorporation | Class of shares | 2020 % | 2019 % |
|---|---|---|---|---|
| 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 |

On 22 July 2020, the following dormant entities have been deregistered with the Australian Securities & Investment Commission (ASIC) Ansarada Central and Eastern Europe, Ansarada Employee Company Pty Limited, Ansarada Holdings Pty Limited, Ansarada IP Pty Limited, Ansla Pty Ltd, Ondaro Pty Limited, Pesara Pty Limited, Quam Enterprises Pty Ltd and Sambellan Pty Ltd.

## 25. 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.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Short-term employee benefits | 792 | 748 |
| Post-employment benefits | 68 | 60 |
| Other long-term benefits | 133 | 115 |
| Share Options | 285 | 112 |
| **Total KMP compensation** | **1,278** | **1,035** |

*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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Receivables from associates – Authorities Online Pty Ltd | - | 76 |
| | **-** | **76** |

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indication 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 its written down to its recoverable amount.

The Group recognised impairment loss of $75,856 during the year ended 30th June 2020 in relation to receivable balance from Authorities Online Pty Ltd. Management have deemed this amount is not recoverable and have impaired this amount in full.

## 26. Lease Liabilities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Balance as at 1 July 2019** | 3,963 | - |
| Leases entered into during the period | - | - |
| Principal Repayments | (761) | - |
| Unwind of discount | 122 | - |
| Foreign exchange adjustment | 38 | - |
| **Lease Liability recognised as at 30 June 2020** | 3,362 | - |

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Current Lease Liability | 1,030 | - |
| Non-Current Lease Liability | 2,332 | - |

| **Maturity analysis – contractual undiscounted cash flows** | **2020 $'000s** |
|---|---|
| - Less than one year | 1,098 |
| - One to five years | 2,402 |
| - More than five years | - |
| **Total undiscounted lease liabilities at 30 June 2020** | **3,500** |

| **Amounts recognised in Profit and Loss** | **2020 $'000s** |
|---|---|
| Interest on lease liabilities | (122) |
| Variable lease payments not included in the measurement of lease liabilities | - |
| Income from sub-leasing right-of-use assets | - |
| Expenses relating to short-term leases | 548 |
| Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets | - |

| **Amounts recognised in the statement of cash flows** | **2020 $'000s** |
|---|---|
| Total cash outflow for leases | (761) |

Under AASB 16: *Leases* the Group is required to recognise lease contracts identified as containing a lease, except when the lease is for 12 months or less or the underlying asset is of low value.

Lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Subsequently, the carrying value of the liability is adjusted to reflect interest and lease payments made. Lease liabilities may be re-measured when there is a change in future lease payments arising from a change in an index or market rate, or if there is a change in the Group's estimate of the amount expected to be payable.

## 27. Contingent assets and contingent liabilities

There were no contingent assets or liabilities that have been incurred by the Group in relation to 2020 (2019: nil).

## 28. Share based payments

During the year, the Group granted 116,164 options (2019: 324,425) under the employee share option plan (ESOP), at a weighted average price of $4.46 (2019 $5.17), determined using the Black-Scholes valuation model.

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 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 share options granted are only subject to service conditions and options cannot be exercised until an Exit Event.

| | **Number of share options** | **Fair value of share options** | **Weighted average fair value per option** |
|---|---|---|---|
| 2020 | | | |
| **Opening** | **281,583** | **1,146,474** | **4.072** |
| Granted 2020 Pool 1 | 44,900 | 146,688 | 3.27 |
| Granted 2020 Pool 2 | 40,473 | 123,422 | 3.05 |
| Granted 2020 Pool 3 | 30,791 | 217,862 | 7.08 |
| Vested* 2016 Options | (17,303) | (8,773) | 0.507 |
| Vested* 2018 Options | (59,590) | (308,199) | 5.17 |
| Lapsed 2016 options | (10,330) | (5,237) | 0.507 |
| Lapsed 2018 options | (41,628) | (215,300) | 5.172 |
| Lapsed 2020 options | (6,683) | (20,380) | 3.050 |
| **Closing** | **262,213** | **1,076,557** | **4.106** |

| | **Number of share options** | **Fair value of share options** | **Weighted average fair value per option** |
|---|---|---|---|
| 2019 RESTATED | | | |
| **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 |
| Conversion of 2016 Options* | (587,779) | (298,004) | 0.507 |
| **Closing** | **281,583** | **1,146,474** | **4.072** |

*Adjustment of 2016 options relates to the share conversion of 2016 options; as one 2016 option is exercisable for 0.128 new shares.

## 29. Reconciliation of cash flows from operating activities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Profit / (loss) for the year | (26,025) | (26,815) |
| Depreciation and amortisation | 9,083 | 7,520 |
| Impairment of assets | 2,771 | - |
| Share based payments | 569 | - |
| Fair value adjustment in relation to convertible notes and warrants | 15,505 | 12,397 |
| Other non-cash items | 123 | - |
| Foreign exchange differences | (6) | (87) |
| Decrease / (Increase) in trade and other receivables | 1,187 | 336 |
| (Decrease) / Increase in trade and other creditors | 334 | 3,119 |
| (Decrease) / Increase in deferred tax assets | - | (4,753) |
| (Decrease) / Increase in employee benefits | 260 | 278 |
| (Decrease) / Increase in deferred revenue | 611 | 2,971 |
| Decrease / (Increase) in prepayments | 209 | (622) |
| **Net cash inflow from operating activities** | **4,621** | **(5,656)** |

## 30. Auditors' remuneration

| | 2020 $ | 2019 $ |
|---|---|---|
| **Audit services** | | |
| *KPMG Australia:* | | |
| Audit & review of financial reports | 208,220 | 90,000 |
| **Non-Audit services** | | |
| *KPMG Australia:* | | |
| Tax Services | 155,118 | 40,000 |
| Other non-audit services | - | 22,000 |
| **Total remuneration for audit and other assurance services** | **363,338** | **152,000** |

## 31. Parent entity disclosures

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Result of parent entity** | - | - |
| Profit/(loss) for the year | (39) | - |
| Other comprehensive income | - | - |
| **Total comprehensive income/(loss) for the year** | (39) | - |
| | | |
| **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 | 39 | 0.2 |
| Retained earnings/(loss) | 9,275 | 9,314 |
| **Total equity** | 9,314 | 9,314 |

## 32. Subsequent events

Subsequent to year end, the following events have been identified:

### Planned Merger

On 29th September 2020, Ansrada NewCo Pty Ltd entered into a Sale Deed with thedocyard Limited (ASX: TDY). Under the terms of the Deed, thedocyard (TDY) will, subject to satisfaction of conditions acquire 100% of Ansarada. The proposed transaction will comprise of an acquisition of all the existing shares and options in Ansarada NewCo Pty Ltd (or notes, in relation to selling noteholders) by TDY from each shareholder of Ansarada NewCo Pty Ltd, including noteholders that elect to convert its notes to shares in the Company as part of the proposed transaction, for 100% scrip consideration. For each noteholder, that elects to sell its notes direct to thedocyard (TDY) in exchange for scrip, the price payable will be the price it would have received if it had converted its shares in the Company. TDY shareholders will hold 20% of the new entity, while Ansarada stakeholders (being convertible noteholders and shareholders) will hold 80%, on a fully diluted basis.

TDY will undertake a capital raising of a minimum of $45.0 million in capital under a prospectus, the proceeds of which will be applied as follows approximately $20 million will be retained by the new entity for capital and growth, with the remainder of the proceeds applied to redeeming the convertible notes of the Noteholders who have not elected to convert to shares and have not already received proceeds for redemption directly from the Company or sell their Notes to TDY in exchange for scrip consideration and also to pay transaction costs associated with the proposed transaction. The proposed transaction must be approved by a special majority resolution of shareholders (i.e. shareholders holding of the total issued share capital of Ansarada NewCo Pty Ltd, and TDY will acquire shareholder approval including in accordance with the ASX listing rules. Both parties are currently working to complete the proposed acquisition by early December 2020.

The proposed transaction seeks to capitalise on the established capabilities of Ansarada NewCo Pty Ltd and thedocyard (TDY) to bring to market a cloud-based SaaS platform comprising industry leading virtual data room, AI powered reporting, workflow automation tools, project management and document security.
The Company and thedocyard (TDY) expect to generate increased revenues through the expected opportunities to cross-sell of thedocyards products, to our current base of over 2,600 active corporate and advisor customers globally and vice versa. The proposed merger is expected to create a clear pathway towards substantial recurring and enterprise SaaS revenue across a global customer base.

### Employee Share Options

In July 2020, the Company granted 101,454 options under the employee share option plan (ESOP), at a weighted average price of $7.07 determined using the Black-Scholes valuation model. The share options will vest on the first anniversary of the date of the grant of the options and cannot be exercised until an Exit Event.

### Sydney Lease agreements

In September 2020, the Company agreed to a 5 year extension of its current lease at Level 2, 80 George Street, The Rocks, NSW 2000 to terminate on 30 November 2027. As part of the agreement, a deed of surrender was agreed for a new lease at 70 George Street, The Rocks, NSW 2000, which was due to commence in September 2020. The total surrender payment is $1.5 million, which is payable over 7 years payable on and from 1 June 2021. The surrender payment has been included in the variation lease agreement for Level 2, 80 George Street, The Rocks, NSW 2000 which is Ansarada's current office space.

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.

### Deregistration of dormant entities

Please refer to Note 24 regarding deregistration of dormant entities subsequent to 30 June 2020.

**Issue of Ordinary Shares**

The Company through the terms of the Sale Deed signed September 29, has formalised a commitment to issue the Adara Group 74,311 ordinary shares which was equivalent to 1% of the share capital at the time of the proposal. Adara Group has executed the Deed of Accession dated October 8, 2020 in agreement of the terms of the Sale Deed. In connection with the transaction with thedocyard Limited (TDY), these ordinary shares would be acquired by thedocyard Limited (TDY) and the Adara Group would be issued with shares in in TDY in the same proportion as other holders of ordinary shares.

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 7 to 37 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 2020 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 2020.

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........Wednesday, 21st........day of........October........2020.

Samuel Riley
*Director*

David Pullini
*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 year ended 30 June 2020 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

21 October 2020

# 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 2020 and of its financial performance for the year 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 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Ansarada NewCo Pty Limited (the Company) and the entities it controlled at the year 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 (including Independence Standards) (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.

KPMG

## Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 3 of the financial report, which notes that from 1 July 2020 the convertible noteholders may issue a Redemption Notice to declare the outstanding amounts in respect of the convertible notes to be due and payable, no earlier than 90 days after the Redemption Notice. As stated in Note 3, this matter, along with other matters set forth in Note 3, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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.

## 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

KPMG

Caoimhe Toouli

Caoimhe Toouli

*Partner*

Sydney

21 October 2020