Propell Holdings Limited and controlled entities

ACN: 614 837 099

Consolidated Financial Report

For the year ended 30 June 2020

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DIRECTORS' REPORT

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the year ended 30 June 2020 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

Benjamin William Harrison

David Lindsay Brennan

Jeremy Grant Loftus

Courtney Liam John Keim (resigned 1 October 2020)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the group for the year after providing for income tax amounted to $2,135,503 (2019: loss of $4,910,546).

Review of operations

The group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

Significant changes in the state of affairs of the group during the financial year, were as follows:

- The company raised $558,000 through the issue of 588,000 convertible notes. The notes are non-interest bearing, unsecured and mature 12 months from date of issue; and
- On 29 November 2019 the company underwent a two for one consolidation of its ordinary shares.

Principal activities

The principal activity of the group during the year was the provision of finance and payment processing services to Australian businesses.

No significant change in the nature of these activities occurred during the year.

After balance date events

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years are as follows:

- In July 2020 the parent entity drew down an additional $33,000 on the 2020 Altor R&D loan;
- Up to September 2020 parent entity issued a further 410,000 unsecured convertible notes to raise $410,000. Additionally, a further 50,000 unsecured convertible notes were issued in lieu of a cash payment of $50,000 to a contractor and 41,000 were issued to employees and directors as part of remuneration;
- On 16 October 2020 all convertible notes outstanding were converted to ordinary shares at a conversion price of $0.105, representing a 30% discount to the pre-IPO capital raise of $0.15 per share. As a result, 14,847,611 ordinary shares were issued;
- In October 2020 the parent entity conducted a placement of ordinary shares at $0.15 per share including a 1 for 2 attaching option exercisable at $0.30 with a 4 year expiry. 10,516,666 ordinary shares and 5,258,333 options were issued under this offer to raise $1,577,666 cash (before costs). An additional 200,000 ordinary shares and 100,000 options were issued to a private equity funder in lieu of cash payment and 150,000 ordinary shares and 75,000 options were issued to an employee as part of their remuneration; and
- On 10 November 2020, 1,403,245 warrants were issued to a private equity funder as consideration to extend the offer of financing of the loan book of a subsidiary. The warrants are exercisable at $0.20 per option with a 4 year expiry.

Likely developments

The likely developments in the operations of the group and the expected results of those operations in subsequent financial years are as follows:

Propell remains confident in its outlook as it seeks to drive growth via its SME banking platform. The Group’s ongoing investment in research and development will increase the products and services that Propell offers to customers. The Group’s financial performance will be determined by the success of future customer growth and the level of investment committed. The Group will continue to pursue expanding access to capital to support its growth initiatives including an IPO and associated capital raising.

Environmental regulation

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors

Benjamin William Harrison

Qualifications	B Sc., MAppFin
Experience	Ben has extensive experience in advising and investing in companies. He commenced his career as a project manager for a large international engineering consulting firm working on a number of infrastructure projects in Australia and Southeast Asia. He later moved into investment banking, working for a leading corporate advisory house where over a 5-year period he executed over $2.0 billion in capital market transactions and $5.5 billion of public M&A transactions. Ben is active in the venture capital, private equity and private credit sectors. He currently holds board and advisory roles for a number of private companies.

Information on directors (Continued)

David Lindsay Brennan

Qualifications	B Comm.
Experience	David is a leading FinTech entrepreneur. He has founded and provided shareholders with successful exits for several FinTech companies in Australia focused on secured and unsecured SME and Consumer lending. Core to his expertise is a proven track record of building the underlying technology, product development and customer acquisition strategies to support the operational lending business. David was awarded the AICM WA Young Credit Professional of the year as well as being nominated for the 40 under 40 Award for his role in founding a leading unsecured consumer lending platform and business.

Jeremy Grant Loftus

Qualifications	B Comm. CPA.
Experience	Jeremy’s experience spans more than twenty years and has included several ASX listed companies as well as multiple start-ups. Within a diverse range of sectors in Australia, he has contributed in early growth phases through to public listing and beyond, capturing opportunity in equity and debt funding markets to sustain high growth.

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Benjamin William Harrison	3	3
Courtney Liam John Keim	3	3
David Lindsay Brennan	3	3
Jeremy Grant Loftus	3	3

Options

No options over unissued ordinary shares granted by Propell Holdings Limited during the year. For information on options issued since the financial year refer to the After Balance Date Events in this report.

Shares under option

Unissued ordinary shares of Propell Holdings Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option*	Issue price of shares*	Expiry date of the options
21/10/2016	162,194	0.48	01/04/2021
01/02/2017	90,253	0.48	01/04/2021
01/12/2018	1,100,000	0.40	01/12/2023
01/10/2020	5,433,333	0.30	01/10/2024
10/11/2020	1,403,245	0.20	10/11/2024

*Adjusted for 2:1 consolidation on 29 November 2019

No option holder has any right under the options to participate in any other share issue of the group.

Options (Continued)

Shares issued on exercise of options

No shares were issued during the year or up to the date of this report on excise of options.

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the group.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the group.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the group

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

Disclosure of parent entity accounts

[Enter details of election to apply Class Order for disclosure of parent entity accounts]

Signed in accordance with a resolution of the board of directors.

Director: ______________________

Benjamin William Harrison

Dated this 4th day of February 2021

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Brisbane, QLD 4000

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GPO Box 1144
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p. +61 7 3222 8444

The Directors
Level 11, 82 Eagle Street
Brisbane QLD 4000

Auditor's Independence Declaration

As lead auditor for the audit of Propell Holdings Limited for the period ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of Propell Holdings Limited and the entities it controlled during the year.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
4 February 2021

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Revenue and other income			
Revenue from contracts with customers	3	99,082	141,254
Fee revenue - small business financing		258,402	284,428
Other revenue	4	159,707	214,610
Other income	4	495,889	378,991
		1,013,080	1,019,283
Less: expenses			
Materials and consumables used		(238)	(1,950)
Depreciation and amortisation expense	5	(1,015,071)	(928,499)
Employee benefits expense		(839,300)	(1,122,107)
Lease costs including outgoings		(126,675)	(297,242)
Marketing expenses		(88,845)	(241,055)
Finance costs	5	(350,410)	(344,384)
Fair value change on conversion feature		-	(2,037,659)
Professional fees		(228,839)	(504,268)
Technology costs		(46,425)	(131,926)
Provision for expected credit loss expense		(186,034)	(113,469)
Loan processing costs		(78,825)	(74,119)
Payments processing costs		(87,284)	(118,198)
Other expenses		(100,637)	(161,631)
		(3,148,583)	(6,076,507)
Profit / (loss) before income tax expense		(2,135,503)	(5,057,224)
Income tax expense	6	-	-
Profit / (loss) for the year		(2,135,503)	(5,057,224)
Other comprehensive income for the year		-	-
Total comprehensive income		(2,135,503)	(5,057,224)
Profit / (loss) is attributable to:			
- Owners of Propell Holdings Limited		(2,135,503)	(4,910,546)
- Non-controlling interests		-	(146,678)
		(2,135,503)	(5,057,224)
Total comprehensive income is attributable to:			
- Owners of Propell Holdings Limited		(2,135,503)	(4,910,546)
- Non-controlling interests		-	(146,678)
		(2,135,503)	(5,057,224)

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	7	519,486	516,145
Receivables	8	339,698	705,930
Other assets	9	119,079	70,184
Total current assets		978,263	1,292,259
Non-current assets			
Intangible assets	11	1,144,430	1,625,847
Lease assets	12	26,102	-
Property, plant and equipment	10	2,163	10,812
Total non-current assets		1,172,695	1,636,659
Total assets		2,150,958	2,928,918
Current liabilities			
Payables	13	942,341	762,899
Lease liabilities	12	36,576	-
Borrowings	14	1,458,446	1,605,359
Provisions	16	139,714	130,019
Other financial liabilities	15	453,429	214,286
Other liabilities	17	59,428	42,245
Total current liabilities		3,089,934	2,754,808
Non-current liabilities			
Borrowings	14	1,072,600	-
Provisions	16	22,062	-
Other liabilities	17	70,408	142,653
Total non-current liabilities		1,165,070	142,653
Total liabilities		4,255,004	2,897,461
Net assets		(2,104,046)	31,457
Equity			
Share capital	18	15,218,211	15,218,211
Reserves	19	(2,890,867)	(2,890,867)
Accumulated losses	20	(14,431,390)	(12,295,887)
Total equity		(2,104,046)	31,457

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity $	Reserves $	Accumulated losses $	Non-controlling interests $	Total equity $
Consolidated					
Balance as at 1 July 2018	4,145,159	660,481	(7,385,341)	1,304,241	(1,275,460)
Loss for the year	-	-	(4,910,546)	(146,678)	(5,057,224)
Total comprehensive income for the year	-	-	(4,910,546)	(146,678)	(5,057,224)
Transfers (note 21)	-	1,157,563	-	(1,157,563)	-
Transactions with owners in their capacity as owners:					
Contributions	11,073,052	-	-	-	11,073,052
Options issued as part of capital raising costs	-	231,210	-	-	231,210
Transactions with non-controlling interests	-	(4,940,121)	-	-	(4,940,121)
Balance as at 30 June 2019	15,218,211	(2,890,867)	(12,295,887)	-	31,457
Balance as at 1 July 2019	15,218,211	(2,890,867)	(12,295,887)	-	31,457
Profit/(loss) for the year	-	-	(2,135,503)	-	(2,135,503)
Total comprehensive income for the year	-	-	(2,135,503)	-	(2,135,503)
Balance as at 30 June 2020	15,218,211	(2,890,867)	(14,431,390)	-	(2,104,046)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Cash flow from operating activities			
Receipts from customers		390,288	482,627
Operating grant receipts		312,865	453,889
Payments to suppliers and employees		(1,402,436)	(2,698,668)
Interest received		256,074	281,151
Finance costs		(125,369)	(74,560)
Loan principal advanced to customers net of payments		97,518	(327,354)
Net cash provided by / (used in) operating activities	25(b)	(471,060)	(1,882,915)
Cash flow from investing activities			
Payment for property, plant and equipment		-	(2,048)
Payment for intangibles		(420,025)	(452,595)
Receipts from sub-lessee		36,190	-
Net cash provided by / (used in) investing activities		(383,835)	(454,643)
Cash flow from financing activities			
Proceeds from share issue		-	1,325,000
Capital raising costs		-	(55,000)
Proceeds from borrowings		2,418	2,759
Repayment of borrowings		(3,057)	-
Repayment of related party loans		-	(24,878)
Repayment of leases		(140,125)	-
Proceeds from borrowings - convertible notes		558,000	500,000
Proceeds from borrowings - Altor loan		591,000	795,000
Repayment of borrowings - Altor loan		(150,000)	(145,513)
Net cash provided by financing activities		858,236	2,397,368
Reconciliation of cash			
Cash at beginning of the financial year		516,145	456,335
Net increase in cash held		3,341	59,810
Cash at end of financial year	25(a)	519,486	516,145

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Propell Holdings Limited and its consolidated entities. Propell Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Propell Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The following are the significant accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

(b) New and revised accounting standards effective at 30 June 2020

The group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases* (AASB 16).

AASB 16: Leases

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or

   ii. property, plant or equipment, the applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New and revised accounting standards effective at 30 June 2020 (Continued)

The group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $131,082 (referred to in these financial statements as “lease assets”), $45,619 lease receivables (relating to sub-lease) and corresponding lease liabilities with an aggregate carrying amount of $176,701. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 0.00%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e., at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 July 2019):

	$
Aggregate non-cancellable operating lease commitments at 30 June 2019	181,972
Less: impact of discounting lease payments to their present value at 1 July 2019	(5,271)
Carrying amount of lease liabilities recognised at 1 July 2019	176,701

Further details of the group's accounting policy in relation to accounting for leases under AASB 16 are contained in Note 1(p) .

(c) Going concern

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

The group incurred a loss from ordinary activities of $2,135,503 during the year ended 30 June 2020, and as at that date the group's total liabilities exceeded total assets by $2,104,046.

The group is dependent on following:

- As outlined in the respective notes to the financial statements, the convertible notes are non-interest bearing and convert for equity in the company. This conversion occurred on 16 October 2020;
- The company has raised $1.578m via a share placement post year-end; and
- The company is planning to raise $5m capital and list on the ASX in the near future.

Notwithstanding the above, should the company by unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in these financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the company be unable to continue as a going concern.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position respectively.

(e) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is measured at its acquisition date fair value.

Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

(f) Revenue from contracts with customers

The group derives revenue from contracts with customers -

- *Processing revenue* consists of volume fees that are primarily based on a percentage of total dollar value of payments processed. Revenues from volume fees are recognised on a gross basis when the customer has the obligation to pay the transaction fees on the related through-put via the interchange merchant. Associated costs payable to processing parties are classified as data processing costs;
- *Platform fees* consist of standard monthly fees charged for third party access to the Propell processing platform. Fees are earned when the performance obligation is satisfied, being the provision of access. Revenue is recognised on an over-time basis;
- *Sale of terminals* consists of revenue earned on sale of teriminals to customers. Customers obtain control of the terminals when the goods are delivered. Revenue is recognised at this time, being at a point in time;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Other Fee revenue* consists of late and dishonour fees and bad debts recovered which are not directly attributable to the provision of the loans (refer Fee Revenue below). This revenue is recognised at a point in time when the performance obligation has been satisfied, at the transaction price determined in the contract; and
- *Consulting fees* are derived from providing IT expertise to third parties. Revenue is recognised over time as the services are provided.

Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the group expects to be entitled in exchange for the goods or services.

Receivables from contracts with customers

A receivable from a contract with a customer represents the group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

(g) Other revenue and other income

Fee Revenue

The Group provides financing to small businesses and derives revenue from loans which are accounted for under AASB 9 Financial Instruments. Fee revenue is recognised using the effective interest rate method in accordance with AASB9.

Interest

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

(h) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

(i) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the 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 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

The parent entity and its subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group. This means that:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (Continued)

- each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity.
- the parent entity assumes the current tax liability and any deferred tax assets relating to tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries.

The entities have entered into a tax funding agreement under which the wholly owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to tax losses or unused tax credits that are transferred to the parent entity under the tax consoldiation legislation.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group, arising under the joint and several liability provisions of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(k) Property, plant and equipment

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

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

Land is not depreciated. The depreciable amount of all other property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	33%	Straight line
Office equipment at cost	33%	Straight line
Computer equipment at cost	33%	Straight line

(l) Intangible assets

Intangible assets acquired in a business combination

Intangibles acquired in a business combination are initially recognised at fair value (which, for accounting purposes, is treated as the cost of the intangible asset), and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost, less accumulated amortisation and any accumulated impairment losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (Continued)

IT software development costs

Costs incurred in developing IT software are initially recognised as an asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

(m) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where ‘value in use’ is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

(n) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the group’s business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the group’s transactions with its customers and are normally settled within 30 days.

Consistent with both the group’s business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Loan receivables

Loan receivables are initially recognised at fair value and subsequent measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses. Loans are held within a business model whose objective is to hold asset in order to collect contractual cash flows which arise on specified dates and that are solely principal and fees.

Impairment of financial assets

The following financial assets are tested for impairment by applying the ‘expected credit loss’ impairment model:

(a) debt instruments measured at amortised cost;and

(b) receivables from contracts with customers, contract assets and lease receivables.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses’ is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The group assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The group considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade'’ credit rating (if available) of BBB or higher, or otherwise is assessed by the group to have a strong financial position and no history of past due amounts from previous transactions with the group.

The group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

The group determines expected credit losses using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset’s original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;

(b) breach of contract;

(c) the lender, for economic or contractual reasons relating to the borrower’s financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

(o) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated statement of financial position.

(iv) Share-based payments

The group operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group’s incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(r) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the group can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

(s) Goods and services tax (GST)

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

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

The recoverable abou tof a GCU is based on value in use calculations. Refer note 11 for details of judgements and estimated used in performing the calculations.

(b) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Income Tax Consolidation Impacts from the Acquisition of the Business & Capital Group
Propell Holdings Ltd is presently the head company of a tax consolidated group ("Propell tax group") comprising Propell Services Pty Ltd, Propell IP Pty Ltd and A.C.N. 621 07 194 Pty Ltd. Similarly, Business and Capital Pty Ltd is presently the head of a tax consolidated group ("Business & Capital tax group") comprising BC Fund 1 Pty Ltd, BC Fund 2 Pty Ltd and BC Fund 3 Pty Ltd. Under the tax consolidation regime, the Business & Capital tax group will automatically join the Propell tax group on acquisition of 100% of the share capital of Business & Capital. While some specified assets (such as cash) retain their original tax cost, the tax cost of many of the assets held by a joining entity are reset on entry into a tax consolidated group. As such, any change in the tax cost base of an asset will, in turn, have an impact on (for example):

- in the case of a depreciating asset, the tax depreciable base which is deducted over the life of the asset;
- in the case of a capital gains tax (CGT) asset, the cost base applied when the asset is sold for the purpose of determining a capital gain;
- in the case of intangible asset, the tax-deductible cost of the respective asset.

The tax costs are reset under a complex calculation in a manner that reflects their respective share of the head company's cost of acquiring the joining company. Factors which can alter the acquisition cost for tax purposes include:

- the application of CGT rollover by exchanging shareholders;
- the presence of tax losses in the joining entity; and
- the amount of goodwill or other intangible value in the joining entities.

It is noted, detailed tax consolidation calculations will be prepared in due course, once these matters have been established, and once the joining date is determined. These calculations may in turn impact the carrying amounts of a deferred tax assets or deferred tax liabilities that are disclosed on the balance sheet.

(c) Capitalisation of development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognised as intangible assets in the statement of financial position when they meet the criteria for capitalisation. Development costs may be capitalised if Propell can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to Propell and the acquisition cost can be reliably measured. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met. However, because it may be difficult to distinguish between research and development projects, this judgment can be affected by individual interpretations.

(d) Accounting for and validity of R&D tax claims

Propell accounts for R&D Tax Claims under the "Government Grant Approach", and the basis of recognition relates to whether there is a reasonable expectation that the entity will be able to realise the benefit, and whether this amount can be reliably estimated. The application of the R&D provisions requires a level of judgement and the maintenance of appropriate records to support amounts claimed. The Directors are of the view that Propell is in accordance with the R&D incentive requirements.

(e) Allowance for expected credit losses

The allowance for expected credit losses ("ECL") assessment requires a degree of estimation and judgement and is modelled using assumptions in rleatio to the ECL, including the assessment of significant increases in credit risk since initial recognition, recent loss experience, historical collection rates and forward-looking information and assessment of default. During the current period the Group has also considered the impact of COVID-19 in measuring ECL. The actual credit losses in future years may be higher or lower.

	2020 $	2019 $

NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 $	2019 $
Sales income		
Processing fees	20,976	38,512
Platform fees	60,000	65,000
Sale of terminals	3,750	2,114
Late and dishonour fees	8,193	3,001
Bad debt recovery	6,163	10,037
Consulting fees	-	22,590
	99,082	141,254

	2020 $	2019 $
Revenue from contracts with customers analysed by major products and service lines is below:		
- Transaction processing	80,976	103,512
- Small business financing	14,356	13,038
- Other	3,750	24,704
	99,082	141,254

NOTE 4: OTHER REVENUE AND OTHER INCOME

	2020 $	2019 $
Other revenue		
Interest income		
Interest on lease receivable (AASB 16)	1,318	-
Other interest income	1,200	7,354
	2,518	7,354
Sublease revenue - short term rentals	154,829	207,115
Other revenue	2,360	141
	157,189	207,256
	159,707	214,610
Other Income		
Gain on forgiveness of loan interest	60,779	-
Grants	435,110	378,991
	495,889	378,991

Included in Grants in the current year is $102,000 of government wage subsidies and $100,000 of cash boost payments received due to COVID-19. Also included are ATO Research and Development tax incentives of $233,110 (2019: $378,991).

	2020 $	2019 $

NOTE 5: OPERATING PROFIT

Profit / (losses) before income tax has been determined after:

	2020 $	2019 $
Finance costs		
- Altor loans	164,383	111,046
- convertible notes (unwinding of discount)	187,316	214,286
- lease liability (AASB 16)	5,116	-
- other	(6,405)	19,052
	350,410	344,384
Depreciation		
- premises (AASB 16)	104,980	-
- leasehold improvements	8,649	10,697
	113,629	10,697
Amortisation of non-current assets		
- loan management system	295,559	293,682
- customer list	185,858	185,350
- technology platform	420,025	438,770
	901,442	917,802
Superannuation	97,336	157,451

NOTE 6: INCOME TAX

(a) Income tax reconciliation

The prima facie tax payable on the loss before income tax is reconciled to the income tax expense as follows:

	2020 $	2019 $
Prima facie income tax on loss before income tax at 27.5% (2019: 27.5%)	(587,263)	(1,390,737)
Tax effect of:		
- Government grants	(91,606)	(104,222)
- R&D expenditure	115,507	120,662
- Derivatives	43,262	619,285
- Other	(1,917)	2,870
Derecognition of deferred tax	522,017	752,142
Income tax expense attributable to loss	-	-

(b) Deferred tax assets not brought to account

	2020 $	2019 $
Temporary differences	84,873	61,981
Operating tax losses	1,005,472	713,956
Capital tax losses	107,899	107,899

The deferred tax assets not brought to account as disclosued above only relate to the Propell tax group. As noted in Note 2(b), the Group has not yet completed the tax consolidation calcuations resulting from the acquisition of the Business and Capital Pty Ltd Group.

	2020	2019
	$	$

NOTE 7: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash on hand	2	3
Cash at bank	403,906	401,387
Cash on deposit	115,578	114,755
	519,486	516,145

Cash on deposit is held as security for bank guarantees.

NOTE 8: RECEIVABLES

	2020 $	2019 $
CURRENT		
Receivables from contracts with customers	15,687	79,583
Loans receivable	353,001	609,013
Allowance for expected credit losses	(122,756)	(21,996)
	230,245	587,017
Lease receivable (AASB 16)	9,429	-
Other receivables	84,337	39,330
	339,698	705,930

Loan receivables and allowance for expected credit losses

The Group provides short term loans to companies in the small business sector and has a framework and supporting policies for managing credit risk associated with its lending activities. The framework and policies encompass all stages of the credit cycle – origination, evaluation, approval, documentation, settlement, ongoing administration and problem loan management. The Group has established criteria for making lending decisions, which can vary by industry segment, past credit performance and loan purpose. In this area, the focus is on the performance of key financial risk ratios and the ability of borrowers to service the loan repayments.

When providing finance, the Group obtains security by way of personal guarantees from the directors of the borrower. Where the underlying financial asset falls into default, a caveat will be lodged against the guarantor. Loans under caveat are assessed on an ongoing basis to determine whether the value of the assets pledged as security is sufficient to recover the balance outstanding. Where this is no longer considered to be the case, the loan receivable is written off.

The loan receivables of the Group are short term in nature and have an average contractual life of less than 6 months. As such, the loan receivables outstanding as at 30 June 2019 will have been repaid, refinanced or written off during the course of the current financial year.

In addition to the standard modelled provision as at 30 June 2020, the Group has taken an additional provision on COVID-19 affected loan receivables where normal loan repayments have not resumed which has resulted in an increase of $30,000 in the ECL provision as at the reporting date.

Receivables from contracts with customers

A receivable from a contract with a customer represents the group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Invoicing of customers generally occurs on a monthly basis. Outstanding invoices are due for payment within 30 days of the invoice date. No receivables from contracts with customers are past due or impaired.

Lease receivables

Leases receivables represent the group's net investment in finance leases, being the sum of the lease payments receivable by the group under the finance lease and the estimated unguaranteed residual value of the underlying asset at the end of the lease term, discounted at the interest rate implicit in the lease. Refer to Note 12 for further information about the group's leasing activities. No lease receivables are past due or impaired.

NOTE 9: OTHER ASSETS

	2020 $	2019 $
CURRENT		
Prepayments	6,809	35,184
Prepaid borrowing costs	112,270	35,000
	119,079	70,184

Prepaid borrowing costs related to costs incurred in entering into a Loan Note Subscription Agreement with a third party for the provision of loan amounts to fund future loan books. The facilities had not been finalised at 30 June 2020 (2019: $nil). Refer note 14 for further details.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Leasehold improvements		
At cost	22,357	22,357
Accumulated depreciation	(20,194)	(11,545)
	2,163	10,812

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	2020 $	2019 $
Leasehold improvements		
Opening carrying amount	10,812	19,461
Additions	-	2,048
Depreciation expense	(8,649)	(10,697)
Closing carrying amount	2,163	10,812

NOTE 11: INTANGIBLE ASSETS

	2020 $	2019 $
Customer list at cost	741,400	741,400
Accumulated amortisation and impairment	(432,653)	(246,795)
	308,747	494,605
Intellectual property at cost	50,000	50,000
Loan management system at cost	1,467,397	1,467,397
Accumulated amortisation and impairment	(681,714)	(386,155)
	785,683	1,081,242
Technology platform at cost	1,766,441	1,346,416
Accumulated amortisation and impairment	(1,766,441)	(1,346,416)
	-	-
Total intangible assets	1,144,430	1,625,847

The loan management system, customer list and technology platform intangible assets are being amortised over their estimated useful lives of 5 years, 4 years and 1 year respectively.

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2020 $	2019 $
Customer list at cost		
Opening balance	494,605	679,955
Amortisation	(185,858)	(185,350)
Closing balance	308,747	494,605
Loan management system at cost		
Opening balance	1,081,242	1,361,099
Additions	-	13,825
Amortisation	(295,559)	(293,682)
Closing balance	785,683	1,081,242
Technology platform at cost		
Opening balance	-	-
Additions	420,025	438,770
Amortisation	(420,025)	(438,770)
Closing balance	-	-

Amortisation expense in relation to intangible assets has been recognised in depreciation and amortisation expenses within profit or loss.

(b) Impairment tests for intangible assets

Intangibles are allocated to the following cash generating units (CGU):

	2020 $	2019 $
- Lending	1,094,430	1,575,847
- Payments	50,000	50,000
	1,144,430	1,625,847

The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 25% (2019: 25%) for cash flows in year two to five, which is based on the historical average, a terminal value growth rate of 1% (2019: 1%) and a discount rate of 17% (2019: 17%) to determine value-in-use.

No reasonable change in the key assumptions of the value in use calculations would result in an impairment.

NOTE 12: LEASE ASSETS AND LEASE LIABILITIES

Lease arrangements (30 June 2020)

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 *Leases* (which was applied by the group for the first time in the current reporting period).

	2020 $
(a) Lease assets	
Premises	
Under lease	131,082
Accumulated depreciation	(104,980)
Total carrying amount of lease assets	26,102

Reconciliations

Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:

Premises	
Opening carrying amount	-
Implementation	131,082
Depreciation expense	(104,980)
Closing carrying amount	26,102

(b) Lease liabilities

CURRENT	
Premises	36,576

(c) Lease expenses and cashflows

Interest expense on lease liabilities	5,116
Expense relating to lease payments made for leases of 12-months or less (for which a lease asset and a lease liability has not been recognised)	11,010
Depreciation expense on lease assets	104,980
Interest income from sub-lease arrangements	1,310
Revenue relating to lease receipts for leases of 12-months or less (for which a lease receivablae has not been recognised)	154,829
Cash outflow in relation to leases	-

(d) Non-cancellable operating lease arrangements (30 June 2019)

The following information relates to non-cancellable operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 Leases.

	2019 $
Future minimum lease payments to be made:	
- Not later than 1 year	145,240
- Later than 1 year and not later than 5 years	36,732
Aggregate lease payments contracted for at reporting date	181,972

NOTE 13: PAYABLES

	2020 $	2019 $
CURRENT		
Unsecured liabilities		
Trade creditors	327,655	274,520
Accrued interest	105,193	98,247
GST payable	121,824	89,726
Accrued expenses	387,669	300,406
	942,341	762,899

NOTE 14: BORROWINGS

	2020 $	2019 $
CURRENT		
Unsecured liabilities		
Convertible notes	955,326	470,000
Insurance financing	2,120	2,759
	957,446	472,759
Secured liabilities		
Altor loans	501,000	1,132,600
	1,458,446	1,605,359
NON CURRENT		
Secured liabilities		
Altor loans	1,072,600	-

Terms and conditions and details of security

Convertible Notes

2019 Tranche
During the 2019 year, the Propell Holdings (parent entity) issued 500,000 unsecured convertible notes to raise $500,000 cash. The notes are convertible to fully paid ordinary shares, either upon a qualifying capital raising or change in control or upon the maturity date of 30 June 2020. The conversion rate is to be determined with reference to the transaction price or an independent valuers price of the business. The convertible notes are not redeemable, other than upon an insolvency event and non-interest bearing. As the convertible notes are to be converted to a variable number of shares, the financial instrument is considered a liability.

While the maturity date of the notes was 30 June 2020. The notes were not converted until 16 October 2020. Refer below for details of subsequent conversion.

Offset against the convertible note liability are capital raising costs of $30,000. These costs were fully amortised by 30 June 2020.

For information on the valuation on the conversion feature derivative of the convertible notes refer to note 15.

2020 Tranche
During the 2020 year, the parent entity issued 558,000 unsecured convertible notes to raise $558,000 cash. The notes are convertible to fully paid ordinary shares, either upon a qualifying capital raising or change in control or 12 months from date of issue. The conversion rate is to be determined with reference to the transaction price or an independent valuers price of the business. The convertible notes are not redeemable, other than upon an insolvency event and non-interest bearing. As the convertible notes are to be converted to a variable number of shares, the financial instrument is considered a liability.

The notes were converted on 16 October 2020. Refer below for details of subsequent conversion.

	2020	2019
	$	$

NOTE 14: BORROWINGS (CONTINUED)

Terms and conditions and details of security (Continued)

Offset against the convertible note liability are capital raising costs of $20,847 and the fair value of the conversion feature, being $239,316 of which $157,316 was amortised during the year. For information on the valuation on the conversion feature derivative of the convertible notes refer to note 15.

Subsequent Issue and Conversion

Since year-end, the parent entity issued a further 410,000 unsecured convertible notes to raise $410,000. Additionally, a further 50,000 unsecured convertible notes were issued in lieu of a cash payment of $50,000 to a contractor and 41,000 were issued to employees and directors as part of remuneration. The 2021 Tranche liability had a conversion feature valued at $214,714.

On 16 October 2020 all convertible notes outstanding were coverted to ordinary shares at a conversion price of 10.5 cents, representing a 30% discount to the pre-IPO capital raise of 15 cents per share. As a result, 14,847,611 ordinary shares were issued.

Altor Loans

2017 R&D Loan

During the 2017 year an entity in the Altor Group (Altor) entered into a loan agreement with the Propell Holdings (parent entity). Under this agreement the entity agreed to provide funding to the parent entity not exceeding $300,000. The loan is subject to interest at 20% per annum. The amount owing is repayable at the earlier of the receipt from the Australia Tax Office of the Development Tax Incentive for approved R&D activities for the 2016-17 year or 31 October 2017, or at a later date if agreed by the parties. The loan balance at 30 June 2020 was $110,000 (2019: $110,000) and is unsecured and the repayment date in 2020 was extended to 30 June 2021.

During the 2019 year, an Altor loan in a subsidiary of $6,013 was transferred to the parent entity and subsumed into the 2017 Loan. $145,513 of the principal was repaid, resulting in $110,000 remaining outstanding on the 2017 loan at 30 June 2019.

It was agreed between the parties that no interest was to be accrued on this loan from 1 January 2019. Interest previously accrued of $60,779 was forgiven in the 2020 year and recognised as a gain.

2019 R&D Loan

An additional Altor loan was entered into in February 2019 for $150,000 with the parent entity. This loan is subject to interest of 15% per annum and is repayable at the earlier of the receipt from the Australia Tax Office of the Development Tax Incentive for approved R&D activities for the 2018-19 year or 30 June 2019, or at a later date if agreed by the parties. The loan is secured over the monies to be received from the Australian Tax Office. Interest of $9,185 was accrued on this loan in 2019 and a further $22,562 accrued in 2020. The repayment date in 2020 was extended to 30 June 2021. The balance of the loan at 30 June 2020 was $150,000 (2019: $150,000).

2020 R&D Loan

A further Altor loan was entered into in March 2020 for an amount not exceeding $290,500. This loan is subject to interest of 15% per annum and is repayable at the earlier of the receipt from the Australia Tax Office of the Development Tax Incentive for approved R&D activities for the 2019-20 year or 6 months from the date of the agreement, or at a later date if agreed by the parties. Interest of $5,387 was paid during the year. The balance of the loan at 30 June 2020 was $241,000. Since year-end a further $33,000 was drawn down.

Loan Book Borrowing

A subsidiary of the Group (BC Fund 2 Pty Ltd) entered into a loan agreement in 2018 with Altor for the purpose of funding its loan book for an amount not exceeding $1,000,000. The loan was originally subject to interest of 10% per annum, but was subsequently amended in 1 April 2019 to be 13% per annum prospectively. The loan is repayable 24 months after the agreement date or another date as agreed between the parties. The loan is secured over all present and after-acquired property of BC Fund 2 Pty Ltd and its parent Business & Capital Pty Ltd. Interest of $136,435 was recognised in the current year (2019: $76,756) with $73,446 accrued at year-end (2019: $28,282), after payments during the period. The balance of the loan at 30 June 2020 was $1,072,600 (2019: 872,600).

	2020 $	2019 $

NOTE 15: OTHER FINANCIAL LIABILITIES

CURRENT

	2020 $	2019 $
Other derivative instruments at fair value through profit and loss		
Conversion feature on convertible notes	453,429	214,286

The conversion feature derivative liability of the convertible notes represents an embedded derivative financial instrument in the host debt contract. The conversion feature represents the company's obligation to issue ordinary shares upon exercise of the conversion feature at a discount to the fair value of the equity instrument. The embedded conversion derivative is carried in the Statement of Financial Position at their estimated fair value at the end of each reporting period, with any unrealised gains or losses reflected in the Statement of Profit or Loss and Other Comprehensive Income.

During the 2019 and 2020 years the Group had three tranches of convertible notes on issue with associated conversion feature derivatives -

2017-18 Tranche
The fair value of the 2017-18 tranche had previously been valued at fair value of $nil as it was considered "out of the money". During the current year, however, due to the successfull acquisition of Business and Capital Pty Ltd and the progress made in the growth of the combined business, the shares post consoildation and post acquistion were valued at 20 cents per ordinary share. Upon maturity, as the conversion feature resulted in an effective 40% discount to the fair value of the shares, the conversion feature was valued upon conversion at the implied fair value of $2,037,659.

2019 Tranche
This tranche of convertible notes will be converted, regardless of the conversion trigger, at the lower of 70% of a reference price or 20 cents per share. Due to the 20 cent per ordinary share value (pre conversion of the 2017-18 tranche), the conversion feature of this tranche has an implied fair value as at 30 June 2019 of $214,286. The pre-IPO capital raise is being conducted at 15 cents per share. Based on this value, the fair value of the conversion feature did not significantly change.

2020 Tranche
This tranche of convertible notes will be similarly converted, regardless of the conversion trigger, at the lower of 70% of a reference price or 20 cents per share. The pre-IPO capital raise is being conducted at 15 cents per share. Based on this value, the fair value of the conversion feature was $239,143.

Subsequent Conversion
Subsequent to year-end, as noted in note 14, the 2019 and 2020 Tranches of convertible notes were converted into ordinary shares at a conversion price of 70% of 15 cents, being 10.5 cents. Upon conversion, the fair value recognised on the conversion feature was transferred to equity.

NOTE 16: PROVISIONS

	2020 $	2019 $
CURRENT		
Employee benefits	139,714	130,019
NON CURRENT		
Employee benefits	22,062	-

NOTE 17: OTHER LIABILITIES

	2020 $	2019 $
CURRENT		
Deferred income	42,245	42,245
Other	17,183	-
	59,428	42,245

	2020 $	2019 $
NOTE 17: OTHER LIABILITIES (CONTINUED)		
NON CURRENT		
Deferred income	70,408	112,653
Other	-	30,000
	70,408	142,653

Government grants

Deferred income consists of refundable Research and Development tax incentives which are being recognised as income over the period in which the depreciation expense on the related capitalised development is being recognised.

NOTE 18: SHARE CAPITAL

	2020 $	2019 $
Issued and paid-up capital		
45,075,788 (2019: 90,151,671) Ordinary shares	15,218,211	15,218,211

		2020 Number	2020 $	2019 Number	2019 $
Ordinary shares					
Opening balance		90,151,671	15,218,211	88,991,421	4,145,159
Shares issued:					
5 September 2018	(i)	-	-	132,500,000	1,325,000
26 September 2018	(ii)	-	-	(181,511,064)	-
27 September 2018	(iii)	-	-	24,517,422	4,903,484
19 November 2018	(iii)	-	-	183,185	36,637
3 January 2019	(iv)	-	-	25,470,707	5,094,141
29 November 2019	(v)	(45,075,788)	-	-	-
Transaction costs relating to shares issued, net of tax		-	-	-	(286,210)
At reporting date		45,075,883	15,218,211	90,151,671	15,218,211

(i) The company conducted a entitlement offer in Septemter 2018, issuing 132,500,000 ordinary shares at 1 cent each to raise 1,038,790 cash net capital raising costs.
(ii) Subsequent to the entitlement offer, the company underwent a 5.54:1 consolidation of its shares reducing the number of shares on issue from 221,491,421 to 39,980,357.
(iii) On 27 September 2018, the company purchased substantially the remainder of the Business and Capital Pty Ltd shares on issue (with minor shareholdings being acquired in November 2018). The shares were valued at the fair value of a share in Propell Holdings Ltd, being 20 cents per ordinary share.
(iv) On 3 January 2019, the convertible notes issued in 2017 and 2018 were converted to ordinary shares at a conversion price of 12 cents, being a 40% discount to the fair value of the ordinary share. Included in the value recognised in equity is the fair value of the convertible note derivative of $2,037,659.
(v) The company underwent a 2:1 consolidation of its shares reducing the shares on issue from 90,151,671 to 44,075,883.

Rights of each type of share

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

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

	2020 $	2019 $
NOTE 19: RESERVES		
Share based payments reserve	628,666	628,666
Subsidiary interests reserves	(3,519,533)	(3,519,533)
	(2,890,867)	(2,890,867)

The share based payments reserve is used to record the fair value of shares or options issued to employees.

The subsidiary interests reserve is used to record transacdtions with non-controlling interests that result in a change in the Group's intrest in a subisidary that do not result in a loss of control.

NOTE 20: ACCUMULATED LOSSES

	2020 $	2019 $
Accumulated losses at beginning of year	(12,295,887)	(7,385,341)
Net profit / (loss)	(2,135,503)	(4,910,546)
Accumulated losses at end of year	(14,431,390)	(12,295,887)

NOTE 21: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the group's significant subsidiaries:

Subsidiaries of Propell Holdings Limited:	Country of incorporation	Ownership interest held by the group 2020 %	2019 %
Propell Services Pty Ltd (i)	Australia	100	100
Propell IP Pty Ltd (i)	Australia	100	100
A.C.N. 621 097 194 Pty Ltd	Australia	100	100
Business and Capital Pty Ltd	Australia	100	100
BC Fund 1 Pty Ltd (ii)	Australia	100	100
BC Fund 2 Pty Ltd (ii)	Australia	100	100
BC Fund 3 Pty Ltd (ii) (iii)	Australia	100	-

i. Name changed from Tappr Services Pty Ltd on 3 October 2019 and from Tappr IP Pty Ltd on 21 October 2020 respectively

ii. Subsidiary of Business and Capital Pty Ltd

iii. Incorporated on 6 August 2019

NOTE 21: INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Changes in a parent's ownership interest in a subisdiary

Acquisition of additional ownership interest in a subsidiary

On 25 February 2018 52.57% of Business and Capital Pty Ltd (B&C) was acquired by Propell Holdings Limited. This holding was diluted to 38.25% by 30 June 2018 as convertible notes in B&C were coverted. Propell Holdings, however, retained controll via an option to acquire the remaining shareholdeings in B&C. On 27 September 2018, substantially all the remaining shares in B&C were acquired. Refer note 18 for further details regarding the acquisition.

(c) Reconciliation of the NCI

	2020 $	2019 $
Accumulated NCI at the beginning of the year	-	1,304,241
Profit or loss allocated to NCI during the year	-	(146,678)
Purchase of additional ownership interest in a subsidiary from NCI	-	(1,157,563)
Accumulated NCI at the end of the year	-	-

NOTE 22: SHARE OPTIONS

Details of share options outstanding at year-end are as follows:

	30 June 2019 \#	Granted \#	Lapsed/Expired \#	Consolidation \#	30 June 2020 \#
ESOP (i)	339,132	-	(14,745)	(162,194)	162,193
ESOP (i)	180,505	-	-	(90,252)	90,253
Advisor (ii)	722,022	-	(722,022)	-	-
Advisor (iii)	2,200,000	-	-	(1,100,000)	1,100,000
	3,441,659	-	(736,767)	(1,352,446)	1,352,446

i. Refer note 23 for further details

ii. Vested and exercisable upon grant. Exercise price of 48 cents per option post consolidation. Expired on 30 June 2020.

iii. Granted as part of the capital raising fee for the entitlement offer in September 2018. Upon grant they immediately vested and were exercisable. The fair value of the options were recognised as capital raising costs. Options exercise price of 40 cents per option and expire on 1 December 2023.

NOTE 23: SHARE BASED PAYMENTS

(a) Equity-settled share-based payments

(i) Employee option plan

The employee options on issue during the year and in the previous year were issued under a previous employee option plan. No options have been issued under this plan since 2017. The terms of the plan include:

- No amount is payable for the issue of the options under the plan;
- The options will expire and be forfeited on the earlier of the expiry date, the date being 3-6 months after the option holder ceases employment depending on the circumstances as set on the plan;
- The options are not transferrable;
- Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally; and
- Option holders do not participate in dividends or in bonus issues unless the optiosn are exercised and the resultant share of the Parent Entity are issued prior to the record date.

NOTE 23: SHARE BASED PAYMENTS (CONTINUED)

(a) Equity-settled share-based payments (Continued)

(i) Employee option plan (Continued)

Details of the options granted are provided below:

2020

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Consolidation	Expired during the year	Balance at the end of the year	Exercisable at end of the year
21/10/2016	1/04/2021	$ 0.48	339,132	-	(162,194)	(14,745)	162,193	162,193
1/02/2017	1/04/2021	$ 0.48	180,505	-	(90,252)	-	90,253	90,253
			519,637	-	(252,446)	(14,745)	252,446	252,446
Weighted average exercise price:			$ 0.24	$ -	$ (0.24)	$ 0.24	$ 0.48	$ 0.48

The weighted average share price for share options exercised during the period was $NIL.

The weighted average remaining contractual life for share options outstanding at the end of the period was 0.75 years.

2019

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Consolidation	Expired during the year	Balance at the end of the year	Exercisable at end of the year
21/10/2016	1/04/2021	$ 0.24	1,987,706	-	(1,539,659)	(108,915)	339,132	339,132
1/02/2017	1/04/2021	$ 0.24	1,000,000	-	(819,495)	-	180,505	180,505
			2,987,706	-	(2,359,154)	(108,915)	519,637	519,637
Weighted average exercise price:			$ 0.043	$ -	$ (0.197)	$ 0.043	$ 0.24	$ 0.24

The weighted average share price for share options exercised during the period was $NIL.

The weighted average remaining contractual life for share options outstanding at the end of the period was 1.75 years.

NOTE 24: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group	418,793	575,351

	2020 $	2019 $

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2020 $	2019 $
Cash on hand	2	3
Cash at bank	403,906	401,387
At call deposits with financial institutions	115,578	114,755
	519,486	516,145

(b) Reconciliation of cash flow from operations with profit after income tax

	2020 $	2019 $
Profit / (loss) from ordinary activities after income tax	(2,135,503)	(5,057,224)
Adjustments and non-cash items		
Depreciation and Amortisation	1,015,071	928,499
Convertible note unwinding of discount	157,316	214,286
Funding costs expensed (previously capitalised)	9,153	79,455
Fair value change on conversion feature	-	2,037,659
Capitalisation of funding costs	-	(30,000)
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	365,105	(225,049)
(Increase) / decrease in other assets	(48,895)	(657)
Increase / (decrease) in payables	189,998	(15,686)
Increase / (decrease) in other liabilities	(55,062)	154,898
Increase / (decrease) in provisions	31,757	30,904
Cash flows from operating activities	(471,060)	(1,882,915)

NOTE 26: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

An entity related to David Lindsay Brennan sub-leases from month to month a portion of the Business and Capital Pty Ltd premises. The amount oustanding at 30 June 2020 was $8,736 (2019: $6,189)

	2020 $	2019 $
Sublease revenue - short term	80,455	36,675

NOTE 27: CONTINGENT LIABILITIES

Guarantees

	2020 $	2019 $
Bank guarantees provided to lessors	110,769	110,769

NOTE 28: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Propell Holdings Limited, financial statements:

(a) Summarised statement of financial position

	2020 $	2019 $
Assets		
Current assets	189,517	82,377
Non-current assets	-	-
Total assets	189,517	82,377
Liabilities		
Current liabilities	2,275,121	1,104,981
Non-current liabilities	-	-
Total liabilities	2,275,121	1,104,981
Net assets	(2,085,604)	(1,022,604)
Equity		
Share capital	15,218,211	15,218,211
Accumulated losses	(17,932,481)	(16,869,481)
Reserves		
Share based payments reserve	628,666	628,666
Total equity	(2,085,604)	(1,022,604)

(b) Summarised statement of comprehensive income

	2020 $	2019 $
Loss for the year	(1,063,000)	(9,094,804)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(1,063,000)	(9,094,804)

NOTE 29: ENTITY DETAILS

The registered office of the group is:

Propell Holdings Limited
Level 11, 82 Eagle Street
Brisbane QLD 4000

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

Except for the matters noted below, there has been no other matter or circumstance which has arisen since the end of the year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs:

- In July 2020 the parent entity drew down an additional $33,000 on the 2020 Altor R&D loan;
- Up to September 2020 parent entity issued a further 410,000 unsecured convertible notes to raise $410,000. Additionally, a further 50,000 unsecured convertible notes were issued in lieu of a cash payment of $50,000 to a contractor and 41,000 were issued to employees and directors as part of remuneration;
- On 16 October 2020 all convertible notes outstanding were converted to ordinary shares at a conversion price of $0.105, representing a 30% discount to the pre-IPO capital raise of $0.15 per share. As a result, 14,847,611 ordinary shares were issued;
- In October 2020 the parent entity conducted a placement of ordinary shares at $0.15 per share including a 1 for 2 attaching option exercisable at $0.30 with a 4 year expiry. 10,516,666 ordinary shares and 5,258,333 options were issued under this offer to raise $1,577,666 cash (before costs). An additional 200,000 ordinary shares and 100,000 options were issued to a private equity funder in lieu of cash payment and 150,000 ordinary shares and 75,000 options were issued to an employee as part of their remuneration; and
- On 10 November 2020, 1,403,245 warrants were issued to a private equity funder as consideration to extend the offer of financing of the loan book of a subsidiary. The warrants are exercisable at $0.20 per option with a 4 year expiry.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 6 - 36, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2020 and its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ______________________________

Benjamin William Harrison

Dated this 4th day of February 2021

Pitcher Partners

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Brisbane, QLD 4000

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GPO Box 1144
Brisbane, QLD 4001

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Independent Auditor's Report to the Members of Propell Holdings Limited

Opinion

We have audited the financial report of Propell Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

(a) 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 then ended; and
(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Going Concern

Without modifying our opinion, we draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a loss of $2,135,503 during the year ended 30 June 2020 and, as of that date, the Group's total liabilities exceeded its total assets by $2,104,046. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's directors report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
4 February 2021