Propell Holdings Limited and controlled entities

ACN: 614 837 099

Consolidated Financial Report

For the year ended 30 June 2019

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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 2019

	Note	2019 $	2018 $
Revenue and other income			
Revenue from contracts with customers	3	141,254	440,163
Fee revenue - small business financing		284,428	30,806
Other revenue	4	593,601	432,297
		1,019,283	903,266
Less: expenses			
Materials and consumables used		(1,950)	(140,211)
Depreciation and amortisation expense	5	(928,499)	(806,716)
Employee benefits expense		(1,122,107)	(857,826)
Lease costs including outgoings		(297,242)	(135,879)
Advertising expense		(241,055)	(60,893)
Finance costs	5	(344,384)	(60,186)
Fair value change on conversion feature derivative		(2,037,659)	-
Professional fees		(504,268)	(343,406)
Technology costs		(131,926)	(28,529)
Provision for expected credit loss expense		(113,469)	(21,634)
Loan processing costs		(74,119)	(22,951)
Payments processing costs		(118,198)	(107,706)
Other expenses		(161,631)	(146,560)
		(6,076,507)	(2,732,497)
Profit / (loss) before income tax expense		(5,057,224)	(1,829,231)
Income tax expense		-	-
Profit / (loss) for the year		(5,057,224)	(1,829,231)
Other comprehensive income for the year		-	-
Total comprehensive income		(5,057,224)	(1,829,231)
Profit / (loss) is attributable to:			
- Owners of Propell Holdings Limited		(4,910,546)	(1,618,620)
- Non-controlling interests		(146,678)	(210,611)
		(5,057,224)	(1,829,231)
Total comprehensive income is attributable to:			
- Owners of Propell Holdings Limited		(4,910,546)	(1,618,620)
- Non-controlling interests		(146,678)	(210,611)
		(5,057,224)	(1,829,231)

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	6	516,145	456,335
Receivables	7	705,930	483,235
Other assets	8	70,184	69,527
Total current assets		1,292,259	1,009,097
Non-current assets			
Intangible assets	10	1,625,847	2,091,054
Property, plant and equipment	9	10,812	19,461
Total non-current assets		1,636,659	2,110,515
Total assets		2,928,918	3,119,612
Current liabilities			
Payables	11	762,899	805,817
Borrowings	12	1,605,359	3,232,540
Provisions	14	130,019	99,115
Other financial liabilities	13	214,286	-
Other liabilities	15	42,245	-
Total current liabilities		2,754,808	4,137,472
Non-current liabilities			
Borrowings	12	-	227,600
Other liabilities	15	142,653	30,000
Total non-current liabilities		142,653	257,600
Total liabilities		2,897,461	4,395,072
Net assets/(liabilities)		31,457	(1,275,460)
Equity			
Share capital	16	15,218,211	4,145,159
Reserves	17	(2,890,867)	660,481
Accumulated losses	18	(12,295,887)	(7,385,341)
Equity attributable to owners of Propell Holdings Limited		31,457	(2,579,701)
Non-controlling interests		-	1,304,241
Total equity		31,457	(1,275,460)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity $	Reserves $	Accumulated losses $	Non-controlling interests $	Total equity $
Consolidated					
Balance as at 1 July 2017	4,095,159	344,759	(5,766,721)	-	(1,326,803)
Loss for the year	-	-	(1,618,620)	(210,611)	(1,829,231)
Total comprehensive income for the year	-	-	(1,618,620)	(210,611)	(1,829,231)
Transactions with owners in their capacity as owners:					
Contributions	50,000	-	-	-	50,000
Changes in ownership interests	-	-	-	1,514,852	1,514,852
Share based payments expensed	-	52,697	-	-	52,697
Transactions with non-controlling interests	-	263,025	-	-	263,025
Balance as at 30 June 2018	4,145,159	660,481	(7,385,341)	1,304,241	(1,275,460)
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)
Other comprehensive income for the year	-	-	-	(146,678)	(146,678)
Total comprehensive income for the year	-	-	(4,910,546)	(146,678)	(5,057,224)
Transfers	-	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)
Total transactions with owners in their capacity as owners	11,073,052	(4,708,911)	-	-	6,364,141
Balance as at 30 June 2019	15,218,211	(2,890,867)	(12,295,887)	-	31,457

The accompanying notes form part of these financial statements.

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers		482,627	744,594
Operating grant receipts		453,889	344,869
Payments to suppliers and employees		(2,698,668)	(2,075,853)
Interest received		281,151	4,823
Finance costs		(74,560)	(9,899)
Loan principal advanced to customers net of payments		(327,354)	(384,242)
Net cash provided by / (used in) operating activities	20(b)	(1,882,915)	(1,375,708)
Cash flow from investing activities			
Payment for property, plant and equipment		(2,048)	-
Payment for intangibles		(452,595)	(757,288)
Payment for business acquisition (net cash acquired)	22	-	(220,805)
Net cash outflow from sale of business		-	(4,883)
Repayment of related party loans		-	137,083
Net cash provided by / (used in) investing activities		(454,643)	(845,893)
Cash flow from financing activities			
Proceeds from share issue		1,325,000	-
Capital raising costs		(55,000)	-
Proceeds from borrowings		2,759	-
Repayment of related party loans		(24,878)	-
Proceeds from borrowings - convertible notes		500,000	2,211,482
Proceeds from borrowings - Altor loan		795,000	478,713
Repayment of borrowings - Altor loan		(145,513)	(20,000)
Net cash provided by financing activities		2,397,368	2,670,195
Reconciliation of cash			
Cash at beginning of the financial year		456,335	7,741
Net increase in cash held		59,810	448,594
Cash at end of financial year	20(a)	516,145	456,335

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The directors have determined that the group is not a reporting entity on the basis that, in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly, this financial report is a special purpose financial report, which has been prepared for use by the directors and members of the group.

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 has been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations. The financial report does not comply with the disclosure requirements of Australian Accounting Standards.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

(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 2019

The company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9: *Financial Instruments* (AASB 9) and AASB 15: *Revenue from Contracts with Customers* (AASB 15).

AASB 9

AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity’s own credit risk in OCI, except when it would create an ‘accounting mismatch’;
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- Introducing a new ‘expected credit loss’ impairment model (replacing the ‘incurred loss’ impairment model of previous accounting standard).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New and revised accounting standards effective at 30 June 2019 (Continued)

In accordance with the transition requirements of AASB 9, the company has elected to apply AASB 9 from 1 July 2018 and not to restate comparative information, which continues to be reported under AASB 139. There was no material impact of applying AASB 9.

Further details of the company's accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 1(n) .

AASB 15

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the company has elected to apply AASB 15 using the modified retrospective method and elected to apply this method to all contracts at the date of initial recognition.

The application of AASB 15 has not materially impacted the recognition and measurement of the company's revenue from contracts with customers.

Further details of the company's accounting policies in relation to accounting for revenue from contracts with customers under AASB 15 are contained in note 1(f) .

(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 $5,057,224 during the year ended 30 June 2019, and as at that date the group's total assets exceeded total liabilities by $31,457.

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

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the group’s incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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% (2018: 25%) for cash flows in year two to five, which is based on the historical average, a terminal value growth rate of 1% (2018: 1%) and a discount rate of 17% (2018: 17%) to determine value-in-use.

(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.

Deferred tax assets are recognised for deductible temporary differences as 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

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Services Pty Ltd, Tappr 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.

	2019 $	2018 $
NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sales income		
Processing fees	38,512	33,314
Platform fees	65,000	27,258
Sale of terminals	2,114	150,908
Late and dishonour fees	3,001	43
Bad debt recovery	10,037	16,848
Consulting fees	22,590	211,792
	141,254	440,163

NOTE 4: OTHER REVENUE AND OTHER INCOME

	2019 $	2018 $
Other revenue		
Interest income		
Other interest income	7,354	4,823
Sublease revenue	207,115	30,514
Other revenue	141	125
	214,610	35,462
Other Income		
Gain on sale of business (note 22)	-	284,739
Grants	378,991	112,096
	378,991	396,835

Included in Grants in the current year is ATO Research and Development tax incentives of $378,991 (2018: $112,096).

NOTE 5: OPERATING PROFIT

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

	2019 $	2018 $
Finance costs		
- Altor loans	111,046	42,709
- convertible note interest	-	7,579
- convertible notes (unwinding of discount)	214,286	-
- other	19,052	9,898
	344,384	60,186
Depreciation		
- leasehold improvements	10,697	-
- office furniture and equipment	-	51,760
	10,697	51,760
Amortisation of non-current assets		
- loan management system	293,682	43,557
- customer list	185,350	61,445
- technology platform	438,770	649,954
	917,802	754,956
Superannuation	157,451	139,193

	2019 $	2018 $
NOTE 6: CASH AND CASH EQUIVALENTS		
Cash on hand	3	3
Cash at bank	401,387	344,124
Cash on deposit	114,755	112,208
	516,145	456,335

Cash on deposit is held as security for bank guarantees.

NOTE 7: RECEIVABLES

	2019 $	2018 $
CURRENT		
Receivables from contracts with customers	79,583	89,486
Loans receivable	609,013	384,242
Allowance for expected credit losses	(21,996)	(21,750)
	587,017	362,492
Other receivables	39,330	31,257
	705,930	483,235

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 2018 will have been repaid, refinanced or written off during the course of the current financial year.

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.

NOTE 8: OTHER ASSETS

	2019 $	2018 $
CURRENT		
Prepayments	35,184	69,527
Prepaid borrowing costs	35,000	-
	70,184	69,527

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 2019.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Leasehold improvements		
At cost	22,357	22,357
Accumulated depreciation	(11,545)	(2,896)
	10,812	19,461

Reconciliations

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

	2019 $	2018 $
Leasehold improvements		
Opening carrying amount	19,461	-
Additions	2,048	-
Additions through business combinations (note 22)	-	22,357
Depreciation expense	(10,697)	(2,896)
Closing carrying amount	10,812	19,461

NOTE 10: INTANGIBLE ASSETS

	2019 $	2018 $
Customer list at cost	741,400	741,400
Accumulated amortisation and impairment	(246,795)	(61,445)
	494,605	679,955
Intellectual property at cost	50,000	50,000
Loan management system at cost	1,467,397	1,453,572
Accumulated amortisation and impairment	(386,155)	(92,473)
	1,081,242	1,361,099
Technology platform at cost	1,346,416	907,646
Accumulated amortisation and impairment	(1,346,416)	(907,646)
	-	-
Total intangible assets	1,625,847	2,091,054

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.

	2019 $	2018 $

NOTE 10: INTANGIBLE ASSETS (CONTINUED)

Reconciliations

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

	2019 $	2018 $
Customer list at cost		
Opening balance	679,955	-
Additions through business combinations (note 22)	-	741,400
Amortisation	(185,350)	(61,445)
Closing balance	494,605	679,955
Loan management system at cost		
Opening balance	1,361,099	-
Additions	13,825	107,334
Additions through business combinations (note 22)	-	1,346,186
Amortisation	(293,682)	(92,421)
Closing balance	1,081,242	1,361,099
Technology platform at cost		
Opening balance	-	-
Additions	438,770	649,954
Amortisation	(438,770)	(649,954)
Closing balance	-	-

NOTE 11: PAYABLES

	2019 $	2018 $
CURRENT		
Unsecured liabilities		
Trade creditors	274,520	189,354
Amounts payable to:		
- Tappr Pty Ltd	-	24,878
Accrued interest	98,247	42,709
GST payable	89,726	74,607
Accrued expenses	300,406	474,269
	762,899	805,817

NOTE 12: BORROWINGS

	2019 $	2018 $
CURRENT		
Unsecured liabilities		
Convertible notes	470,000	2,977,027
Insurance financing	2,759	-
	472,759	2,977,027
Secured liabilities		
Altor loans	1,132,600	255,513
	1,605,359	3,232,540
NON CURRENT		
Secured liabilities		
Altor loans	-	227,600

Terms and conditions and details of security

Convertible Notes

2017-2018 Tranche
Upon their maturity date of 31 December 2018, the Propell Holdings (parent entity) converted the previously issued 3,056,482 convertible notes (the 2017-18 tranche) to ordinary shares at a conversion price of 12 cents per note, resulting in the issue of 25,470,707 shares (post consolidation). The offsetting note issue costs of $79,455 had been amortised to the Statement of Profit or Loss and Other Comprehensive Income prior to maturity.

2019 Tranche
During the 2019 year, the company issued 500,000 unsecured convertible notes to raise $500,000 cash (2019 tranche). 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.

Offset against the convertible note liability are capital raising costs of $30,000.

For information on the valuation on the conversion feature derivative of the convertible notes refer to note 13.

The 2019 tranche notes were converted on 16 October 2020. Refer note 24 for details.

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 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 R&D loan at 30 June 2019 (2018: $249,500).

It was agreed between the parties that no interest was to be accrued on this loan from 1 January 2019. Interest of $25,105 was accrued during the year (2018: $40,161) and $4,487 of the previously accrued interest was repaid. The remaining interest previously accrued of $60,779 was forgiven in the 2020 year and recognised as a gain.

	2019	2018
	$	$

NOTE 12: BORROWINGS (CONTINUED)

Terms and conditions and details of security (Continued)

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. The repayment date in 2020 was extended to 30 June 2021. The balance of the loan at 30 June 2019 was $150,000.

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 $76,756 was recognised in the current year (2018: $2,548) with $28,283 accrued at year-end (2018: $2,548), after payments during the period. Draw downs in the 2019 financial year amounted for $645,000 (2018: $227,600) with the balance of the loan at 30 June 2019 being $872,600 (2018: $227,600).

NOTE 13: OTHER FINANCIAL LIABILITIES

	2019	2018
CURRENT		
Other derivative instruments at fair value through profit and loss		
Conversion feature on convertible notes	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 year the company had two 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.

	2019 $	2018 $
NOTE 14: PROVISIONS		
CURRENT		
Employee benefits	130,019	99,115
NOTE 15: OTHER LIABILITIES		
CURRENT		
Deferred income	42,245	-
NON CURRENT		
Deferred income	112,653	-
Other	30,000	30,000
	142,653	30,000

Government grants

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

NOTE 16: SHARE CAPITAL

	2019 $	2018 $
Issued and paid-up capital		
90,151,671 (2018: 88,911,421) Ordinary shares	15,218,211	4,145,159

		2019 Number	2019 $	2018 Number	2018 $
Ordinary shares					
Opening balance		88,991,421	4,145,159	88,574,754	4,095,159
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	-	-
23 November 2017	(v)	-	-	416,667	50,000
Transaction costs relating to shares issued, net of tax		-	(286,210)	-	-
At reporting date		90,151,671	15,218,211	88,991,421	4,145,159

(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) Shares issued on acquisition of the Refer Application on 23 November 2017. Shares issued were recognised at the fair value of the intangible purchased, being $50,000 or 12 cents per share.

NOTE 16: SHARE CAPITAL (CONTINUED)

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.

Share options

As part of the restructure of the group, upon acquisition of Tappr Pty Ltd on 21 October 2016, existing options in Tappr Pty Ltd were exchanged for new options in Propell Holdings Limited. The terms of the options were not altered, with the exception of the issuing entity. The options have an exercise price of 24 cents per share (post consolidation and price adjustment) and expire on 1 April 2021 (for ESOP and Performance Options).

Other terms and conditions are as follows -

- ESOP Type A - 1/3 each vesting at 1 April 2016, 1 April 2017 and 1 April 2018
- ESOP Type B - 1/3 each vesting at 1 April 2017, 1 April 2018 and 1 April 2019
- Performance Options - 1/2 vesting on securing a large credible channel partner and 1/2 vesting on achieving $1m in annualised revenue, or earlier date if determined by the Directors
- Advisor Options - Vested and exercisable immediately upon grant. Exercise price of 24 cents per option, post consoldiation and repricing and expire on 30 June 2020.
- Advisor Options II - 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. The options have an exercise price of 20 cents per option and expire on 1 December 2021.

Details of options outstanding at year-end are as follows. All options have vested.

Options Type (#)	2018	Issued	Lapsed	Expired	Consolidation	2019
ESOP - Type A	1,987,706	-	-	-	(1,628,914)	358,792
ESOP - Type B	-	-	-	-	-	-
Performance Options	1,000,000	-	-	-	(810,495)	180,505
Advisor Options	4,000,000	-	-	-	(3,277,978)	722,022
Advisor Options II	-	2,200,000	-	-	-	2,200,000

	Note	2019 $	2018 $
NOTE 17: RESERVES			
Share based payments reserve		628,666	397,456
Subsidiary interests reserve		(3,519,533)	263,025
		(2,890,867)	660,481

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 18: ACCUMULATED LOSSES

Accumulated losses at beginning of year	(7,385,341)	(5,766,721)
Net profit / (loss)	(4,910,546)	(1,618,620)
Accumulated losses at end of year	(12,295,887)	(7,385,341)

NOTE 19: 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	
		2019	2018
		%	%
Propell Services Pty Ltd (i)	Australia	100	100
Tappr IP Pty Ltd	Australia	100	100
A.C.N. 621 097 194 Pty Ltd	Australia	100	100
Business and Capital Pty Ltd	Australia	100	38
BC Fund 1 Pty Ltd (ii)	Australia	100	38
BC Fund 2 Pty Ltd (ii)	Australia	100	38

i. Name changed from Tappr Services Pty Ltd on 3 October 2019

ii. Subsidiary of Business and Capital Pty Ltd

(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 (refer note 22 for details of acquisition). This holding was diluted to 38.25% by 30 June 2018 as convertible notes in B&C were converted. Propell Holdings, however, retained control via an option to acquire the remaining shareholdings in B&C. On 27 September 2018 this option was exercised and, substantially all the remaining shares in Business and Capital Pty Ltd were acquired. Refer note 16 for further details regarding the acquisition of the remaining shares.

Disposal of ownership interest resulting in loss of control

On 30 June 2017 Propell Holdings held a 100% interest in Tappr Pty Ltd. On 1 July 2017 this interest was sold back to the original business founder. Refer Note 22 for details of the disposal.

(c) Reconciliation of the NCI

	2019	2018
	$	$
Accumulated NCI at the beginning of the year	1,304,241	-
Profit or loss allocated to NCI during the year	(146,678)	(210,611)
Purchase of additional ownership interest in a subsidiary from NCI	(1,157,563)	-
Dilution of ownership interest in a subsidiary without loss of control	-	521,337
Initial acquisition of ownership interest	-	993,515
Accumulated NCI at the end of the year	-	1,304,241

NOTE 20: 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:

	2019 $	2018 $
Cash on hand	3	3
Cash at bank	401,387	344,124
At call deposits with financial institutions	114,755	112,208
	516,145	456,335

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

	2019 $	2018 $
Profit / (loss) from ordinary activities after income tax	(5,057,224)	(1,829,231)
Adjustments and non-cash items		
Depreciation and Amortisation	928,499	806,716
Share based payments	-	52,697
Convertible note unwinding of discount	214,286	7,373
Funding costs expensed (previously capitalised)	79,455	-
Fair value change on conversion feature	2,037,659	-
Capitalisation of funding costs	(30,000)	(79,455)
Gain on sale of business	-	(284,739)
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(225,049)	(17,264)
(Increase) / decrease in other assets	(657)	(26,236)
Increase / (decrease) in payables	(15,686)	28,988
Increase / (decrease) in other liabilities	154,898	-
Increase / (decrease) in provisions	30,904	(34,557)
Cash flows from operating activities	(1,882,915)	(1,375,708)

NOTE 21: CONTINGENT LIABILITIES

Guarantees

	2019 $	2018 $
Bank guarantees provided to lessors	110,769	110,769

NOTE 22: BUSINESS COMBINATIONS

Acquisition of Business and Capital Pty Ltd - 2018

On 25 February 2018, the group acquired 52.57% of the share capital of Business and Capital Pty Ltd.

The primary reason for the business combination was to acquire a Loan Management System platform and related customer list which could be used in conjunction with the Propell platform.

Details of the purchase consideration

	$
Consideration paid	1,101,205
Less: cash acquired	(880,400)
Total purchase consideration net cash acquired	220,805

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value $
Assets and liabilities held at acquisition date:	
- Trade and other receivables	444,057
- Loan management system and customer list	2,087,586
- Property, plant and equipment	22,357
- Other assets	43,291
- Trade creditors and accruals	(544,963)
- Provisions	(59,981)
- Other liabilities	(30,000)
- Convertible notes	(650,187)
- Derivatives	(97,840)
Net identifiable assets acquired	1,214,320
Less: Non-controlling interests	(993,515)
Total purchase consideration	220,805

Disposal of Tappr Pty Ltd - 2018

On 1 July 2017, the group disposed of its 100% of the share capital of Tappr Pty Ltd for $nil consideration.

Assets and liabilities disposed of were as follows:

	$
- Trade and other receivables	481,541
- Intangible assets	2,358
- Property, plant and equipment	2,939
- Trade creditors and accruals	(354,255)
- Borrowings	(422,205)
Net identifiable assets disposed of	(289,622)
Less: cash disposed of	4,883
Gain on disposal	(284,739)

NOTE 23: 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:

- On 29 November 2019 the company underwent a 2:1 consolidation of its shares reducing the shares on issue from 90,151,671 to 44,075,883;
- In the 2020 year the parent entity entered into a further loan with Altor for an amount not exceeding $290,500 (2020 R&D Loan). This loan was drawn to $241,000 at 30 June 2020 and in July 2020 the parent entity drew down an additional $33,000;
- During 2020 a subsidiary of the group drew down an additional $350,000 on the Altor Loan Book Borrowing and repaid $150,000;
- During the 2020 year, the parent entity issued 558,000 unsecured convertible notes to raise $558,000. Subsequently and 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.

PROPELL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN: 614 837 099

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes, as set out on pages 1 - 27 present fairly the financial position as at 30 June 2019 and performance for the year ended on that date of the consolidated entity in accordance with the accounting policies described in Note 1 to the financial statements.

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

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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 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 presents fairly, in all material respects, the financial position of the Group as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with accounting policies as set out in Note 1.

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 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 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 $5,057,224 during the year ended 30 June 2019 and, as of that date, the Group's total assets exceeded its total liabilities by $31,457. 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Propell Holdings Limited to meet the requirements of its directors and members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Directors for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors of the company are responsible for overseeing the Group’s financial reporting process.

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 Australian Auditing Standards, we exercise professional judgment 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
4 February 2021