Appendix 4E
Annual report

felix

1. Company details

Name of Entity	Felix Group Holdings Limited
ABN	65 159 858 509
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcements to the market

				$'000
Revenues from continuing activities	down	3%	to	3,603
Loss from continuing activities after tax attributable to the owners of Felix Group Holdings Limited	up	49%	to	(10,778)
Loss for the year attributable to the owners of Felix Group Holdings Limited	up	49%	to	(10,778)

Dividends

No final dividend was paid in relation to the year ended 30 June 2021.

Comments

The loss for the consolidated entity after providing for income tax amounted to $10,778,397 (30 June 2020: $7,217,343).

3. Net tangible assets

	Reporting period (cents)	Previous period (cents)
Net tangible assets per ordinary security	7	2

4. Control gained over entities

No control has been gained over entities during the period.

5. Loss of control over entities

No loss of control has occurred over entities during the period

6. Details of associates and joint venture entities

There are no associates or joint ventures

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):
The financial statements have been audited and an unmodified opinion has been issued.

8. Audit qualification or review

Details of attachments (if any):
The Annual Report of Felix Group Holdings Limited for the year ended 30 June 2021 is attached.

9. Signed

Michael Bushby
Director

23 August 2021

felix

Annual Report 30 June 2021

Contents

Chairman’s Letter

Dear Shareholders

On behalf of the Board of Directors it is my pleasure to present this annual report to shareholders.

It is with great pride that I prepare the first Chairman’s letter for Felix Group Holdings (Felix) following our successful IPO on the ASX in January 2021. The Board welcomes new shareholders and would like to express its thanks to the IPO team who assisted in this transition.

The IPO Prospectus set out a clear strategy to steer the company through this next exciting growth phase. This report demonstrates the progress Felix has delivered against the strategy with strong Contractor revenue growth, accelerated increase in Vendors joining the Marketplace and continued expansion of the platform.

Felix continued to establish its position as a leading enterprise procurement solution and marketplace, connecting a broad range of organisations from within the construction and related industries with their third-party vendors. The Felix solution digitises and streamlines a range of processes throughout the procurement journey and provides their Vendors with a portal to maintain critical business and project data.

The construction industry is benefiting from a wave of investment (as evidenced by the $110b land transport infrastructure pipeline) while it is impacted by the effects of COVID-19 responses. These responses have seen further economic stimulus investment and growing complexity in how resources are managed, both internationally and domestically, leading to a greater focus on resource efficiency when delivering major projects. Digitisation of processes in the industry is being driven by the convergence of the requirements to deliver these expanding construction and infrastructure programs and the ability to demonstrate assurance against the increasing legislative, social and environmental obligations. Felix is well positioned to be a leader within the industry as digitisation brings a wave of innovation and opportunity.

As an emerging technology company with established product-market fit, Felix is entering an exciting growth phase. FY21 brought continued growth in the number of Contractors joining the platform, delivering increased Contractor revenues and driving significant growth in the number of Vendors joining the Vendor Marketplace. Existing customers implemented Felix onto 202 large commercial construction and infrastructure projects, demonstrating the rapid adoption of Felix. Notably, we continued to attract cornerstone customers in new high value target sectors underpinned by the broad applicability of the platform .

We continued planned investment into the security, scalability and infrastructure of our technology platform, considerably strengthening the robustness of the enterprise application and providing a strong underlying foundation for significant near-term scale and growth. A number of key personnel hires were made across the product and engineering divisions in order to furnish an accelerated expansion of platform capability in order to drive growth.

In January, the company listed on the ASX and raised $12m to strengthen the balance sheet and provide funding flexibility to accelerate our strategic goals and growth plan. The transaction was supported by numerous leading institutional investors aligned to our long-term vision.

Chairman’s Letter

In the year ahead, Felix’s growth strategy will be focused on rapidly increasing the number of Contractors adopting the platform, driving scale and engagement of the user base and growing revenues. A number of key strategic items on our product roadmap will be delivered and commercialised to support our ongoing growth strategy. This year promises to be an exciting and important year in establishing Felix as a market-leading enterprise procurement platform in order to create long-term shareholder value.

During the year the Board has been expanded to significantly enhance its skills and experience to support the growth of the company. I have had the pleasure of welcoming to the Board:

- Rob Phillpot who brings significant experience in high-growth construction technology through his extensive Aconex experience, and
- Joycelyn Morton who brings extensive finance, audit and risk experience

I would like to thank Mike Davis and his hard working management team on behalf of the Board of Directors for all their efforts during what was a particularly busy year supporting the IPO and driving the company growth. Finally, but perhaps most importantly, your Board of Directors would like to thank shareholders for their support as we continue to execute on the long-term vision for Felix.

Our Annual Meeting is scheduled for 19 November and I look forward to presenting to many of you there.

Yours faithfully,

Michael Bushby
Chairman

Corporate information

Directors	Michael Bushby Mike Davis (Managing Director) Michael Trusler George Rolleston Rob Phillpot Joycelyn Morton (since July 2021)
Company Secretary & CFO	James Frayne
Notice of annual general meeting	The annual general meeting of Felix Group Holdings Limited is expected to be held on 19 November 2021.
Registered office	Unit 4 34 Navigator Place Brisbane QLD 4000
Principal place of business	Unit 4 34 Navigator Place Brisbane QLD 4000 Phone: 1300 010 527
Share register	Computershare Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Phone: +61 03 9415 5000
Auditor	Grant Thornton Audit Pty Ltd
Stock exchange listing	Felix Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: FLX)
Website	www.felix.net
Corporate Governance Statement	https://www.felix.net/investors/corporate-governance
ASX Listing Rule 4.10.19 Statement	The Consolidated Entity confirms that, in accordance with ASX Listing Rule 4.10.19, that it has used the cash (and assets in a form readily convertible to cash) from the time of admission in a way that is consistent with its business objectives during the period from admission to the reporting date.

Felix Group Holdings Limited
Directors' report

Information on the Directors

At the date of this report, the Board comprised five Non-executive Directors and the Managing Director.

The following persons were directors of Felix Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Bruce Bushby ***BE, BBus, MEng, FAICD***

Non-executive Chairman – Independent

Michael Bushby was appointed to the Board as Chairman on 17 November 2020.

Michael has over 30 years of experience in the transport sector. He is the former Chairman of EROAD Ltd (ERD:NZX), Chief Executive of Roads & Traffic Authority in NSW and held a senior position at Leighton Contractors.

Michael also Chairs the Nomination and Remuneration Committee and was a member of the Audit and Risk Committee during the period.

Michael Anthony Trusler ***BEng***

Non-executive Director – Non-independent

Michael co-founded Felix with Mike Davis in 2012. Prior to Felix, Michael worked as a project engineer at MCG Group, Leighton and Inten Constructions on large infrastructure projects.

Michael currently works as the Chief Operating Officer of Spot Rural Pty Ltd.

Michael is a member of the Nomination and Remuneration Committee

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Michael (Mike) Peter Davis ***MAICD***

Managing Director – Non-independent

Mike is a Co-Founder and the Chief Executive Officer (Co-CEO of Felix with Michael Trusler until June 2020) and Managing Director of Felix.

Mike has over 12 years' experience running technology companies. Prior to co-founding Felix, Mike founded and led global consumer e-commerce business Canvas & Canvas for three years. Prior to founding Canvas & Canvas, Mike held a senior management role with web technology company Como Group.

Mike started his career as a professional sportsman and was listed at both Essendon Football Club and Carlton Football Club.

Mike is a member of the Audit and Risk Committee.

George Humphry Davy Rolleston ***MAPPFin BBus(Law)***

Non-executive Director – Non-independent

George was appointed to the Board in August 2014.

George is the founder and managing director of Asset Growth Fund Ltd, based in Melbourne. He is also a director of a number of private businesses in Australia and New Zealand in a range of industries, including NZ Listed MHM Automation Ltd. (MHM:NZX)

George is a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.

Felix Group Holdings Limited
Directors' report

Information on the Directors

Rob William Phillpot ***BComm, BPD (Hons), MBldg, GAICD***

Non-executive Director – Independent

Rob was appointed to the Board on 22 January 2021.

Rob co-founded Aconex in 2000, which provides collaboration solutions for construction teams. Aconex was acquired by Oracle in 2018 and Rob stayed with Oracle for over 2 years, leading global product strategy. Rob now has a venture fund, Gravel Road Ventures, that focuses on early-stage technology and, in particular, construction tech. He was a director of Aconex limited (ASX:ACX) from 2014 to 2018 and is also a director of a number of private businesses globally.

Rob is a member of both the Audit and Risk Committee and the Nomination and Remuneration Committee.

Joycelyn Cheryl Morton ***BEc, FCA, FCPA, FIPA, FGIA, FAICD***

Non-executive Director – Independent

Joycelyn was appointed on 14 July 2021 to the Board as Chair of the Audit and Risk Committee.

She has an extensive business and accounting background and has worked in a number of senior financial roles both in Australia and internationally, with particular expertise in taxation. Ms. Morton is a Non-executive Director of Argo Investments Ltd (ASX:ARG) (since 2012), Argo Global Listed Infrastructure Ltd (ASX:ALI) (since 2015), and Beach Energy Ltd (ASX:BPT) (since 2018). She was previously a Non-executive Director of ASX listed Thorn Group Ltd (ASX:TGA) (2011 to 2018) and Invocare Ltd (ASX:IVC) (2015 to 2018). Joycelyn is also a Non-executive Director of ASC Pty Ltd (since 2017) and was a non-executive director Snowy Hydro Ltd (2012 to 2021), both are government enterprises.

David John Williams ***B.Ec (Hons), M.Ec, FAICD***

Non-executive Chairman – Non-independent

David was appointed to the Board on February 2019 as Chairman. He resigned from the Board on 28 October 2020.

David is currently Chairman of PolyNovo Ltd (ASX:PNV) and Rate My Agent Ltd (ASX:RMY), and Non-executive Director of Medical Developments International Ltd. (ASX:MVP). David is also Managing Director of corporate advisory firm Kidder Williams Ltd.

Gail Michelle Jukes ***BComm, LLB, CPA, GAICD***

Non-executive Director – Independent

Gail was appointed to the Board on 19 November 2020 and resigned on 24 November 2020 due to existing commitments.

Felix Group Holdings Limited
Directors' report

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of the development and sale of the Felix platform, which assists organisations their vendors and suppliers to discover, manage and engage with each other.

Dividends

No dividends were paid or declared for payment since the start of the financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $10,778,397 (30 June 2020: $7,217,343).

Review of operations

Felix continues to transform the way Contractors and Vendors discover, manage and engage with each other in sectors with high-risk supply chains such as construction, infrastructure, utilities and mining. Throughout the financial year, Felix made significant operational progress, successfully listing on the ASX, continuing to scale its market-leading platform, expanding into new sectors and executing on its platform expansion plans, all while navigating the significant disruption caused by the COVID-19 pandemic.

Accelerating scale

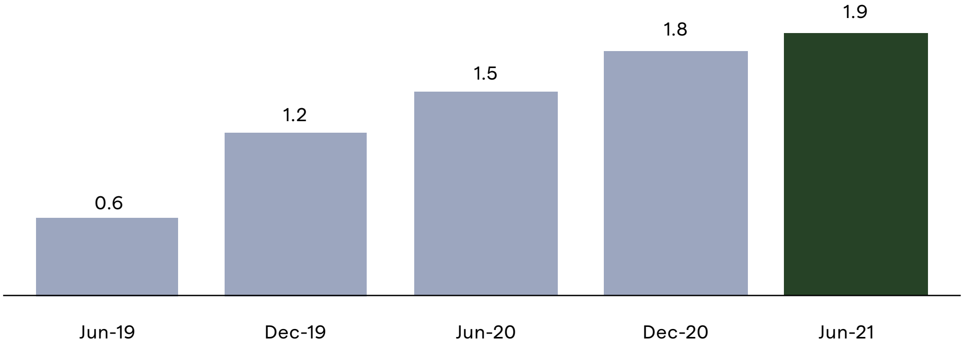
Felix continued to focus on scaling the number of Contractors on its platform, providing significant strategic benefits for its Vendor Marketplace. As each new Contractor embeds Felix into their organisation, they mandate usage of the platform across their entire third-party supply chain. This network effect allows Felix to scale its Vendor Marketplace with no additional direct costs required to acquire new Vendors, demonstrating the deep value that each new Contractor, and their respective third-party supplier network can provide Felix.

Felix continued to convert its strong pipeline of leading tier 1 customers with 8 new Contractors during the financial year, taking the total number of customers to 31, up 33% on FY20. This included a 3 year contract with Macmahon (ASX:MAH), a leading mining services provider, with the initial two modules intended to be rolled-out across the organisation's global operations. This contract win reflects Felix's expanding customer base across sectors outside of construction and engineering, and the applicability of the digital procurement platform across a range of sectors.

Directors' report

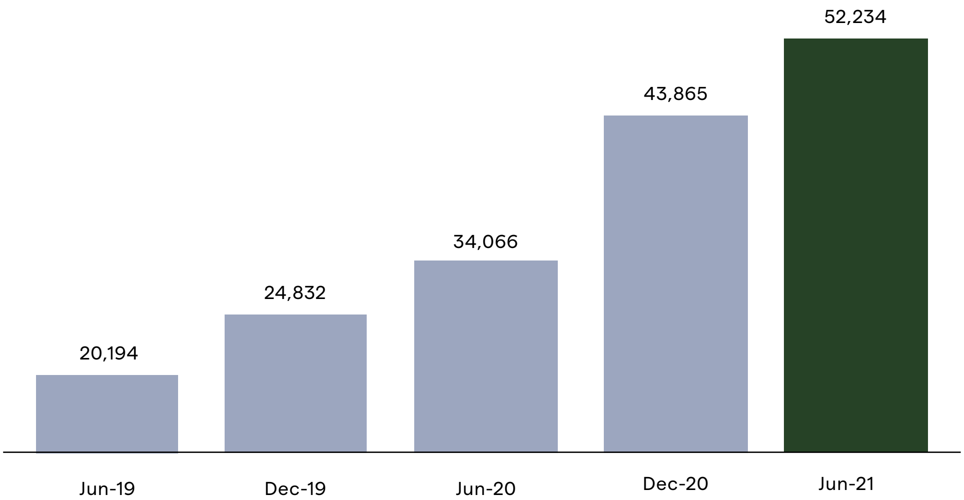
Growth across key performance metrics

Fig. 1 - Contractor ARR ($m)



New contract wins contributed to a 25% increase in contracted Enterprise Contractor Annual Recurring Revenue (ARR) in FY21 to $1.9m (Fig. 1). A number of module expansions were launched during the period, including CS Energy, Kestrel and McConnell Dowell, which contributed to a 48% increase in monthly recurring revenue (MRR) to $135k in June 2021. Pleasingly, contracted net ARR retention increased to 98% at the end of the financial year, from 96% in FY21, demonstrating Felix's deep integration into Contractor ecosystems and stickiness of revenues.

Fig. 2 - Vendors in Marketplace



The Vendor Marketplace continued to experience strong growth, increasing Vendors 53% to 52,234 at the end of financial year (Fig. 2). The accelerating scale of Vendors significantly enhances the value of the Vendor Marketplace and future monetisation opportunities, underpinning Felix's long-term growth potential.

Directors' report

Rapidly growing engagement metrics

Felix observed a material increase across all of its key platform engagement metrics throughout FY21, reflecting expanding usage of its platform and indicating the platforms deeper engagement within customer systems and processes. Key highlights were:

+777%

Number of active projects vs FY20

Reflects rapid take up of Sourcing modules and penetration Contractor projects

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+469%

Total active Vendor compliance documents vs FY20

Demonstrates growing usage of Vendor Management, demonstrating the opportunity to automate document workflows

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+294%

Request for Quotations (RFQ) sent by Enterprise customers vs FY20

Reflects growing use by Contractors to source quotes, incentivising Vendors to join the marketplace to access new projects

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+44%

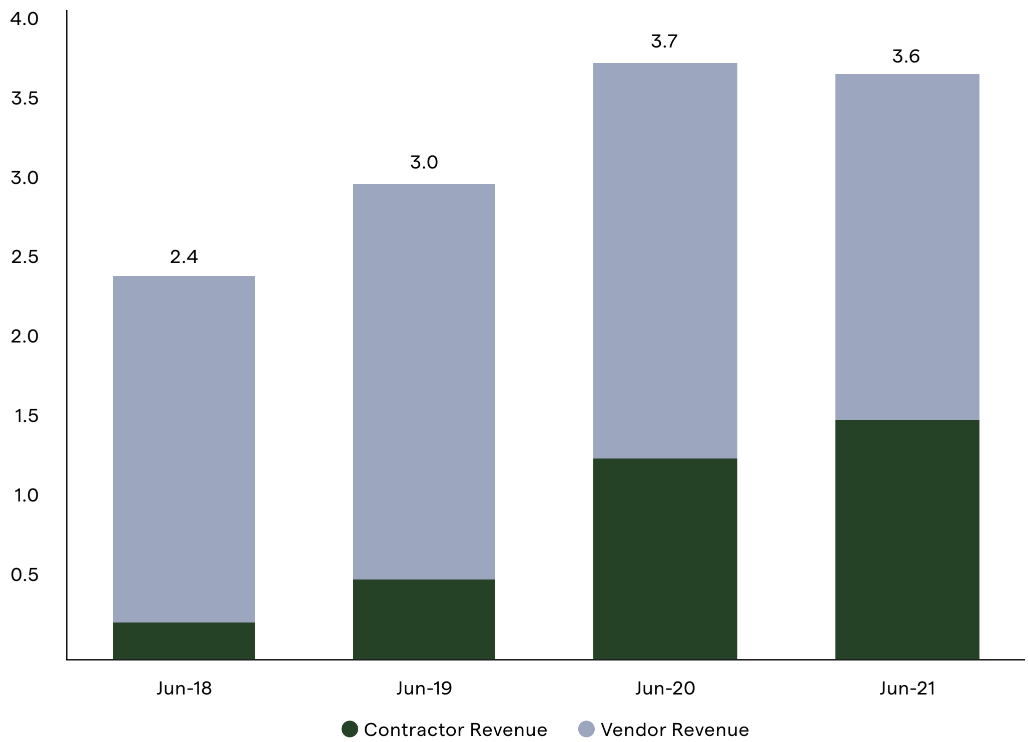
Total enterprise user accounts vs FY20

Driven by broadening usage across existing and new customers

Directors’ report

Financial Performance

Fig. 3 - Group Revenue ($m)



Felix’s total revenue decreased 3% to $4.2m (Fig. 3), with Contractor revenue increasing 30% to $1.5m. The strong performance in Contractor revenues was a result of a number of new contracts wins and expansions of existing contracts. Vendor revenue reduced 16% in the year. The direct headcount associated with this business unit halved at the end of the 2020 financial year as management shifted to the strategic focus to generate increased revenues through enhanced marketplace features such as the Vendor Passport and Prequalification Wallet.

Across the financial year, adjusted EBITDA improved by $2.0m, attributed to an increase in Group revenue and reduction in employee costs, consultant fees and other expenses. Excluding one off costs associated with the IPO, Felix reported an adjusted EBITDA loss of $2.8m.

Adjusted EBITDA

	2021	2020
Revenue		
Marketplace Subscriptions (Vendors) Revenue	2,138	2,565
Enterprise Saas (Contractors) Revenue	1,465	1,131
Other income	608	636
Total	4,211	4,332

Expenses		
Employee benefits	(5,343)	(6,340)
Consultants fees	(567)	(1,401)
Other expenses from ordinary activities	(1,137)	(1,439)
Total	(7,047)	(9,180)

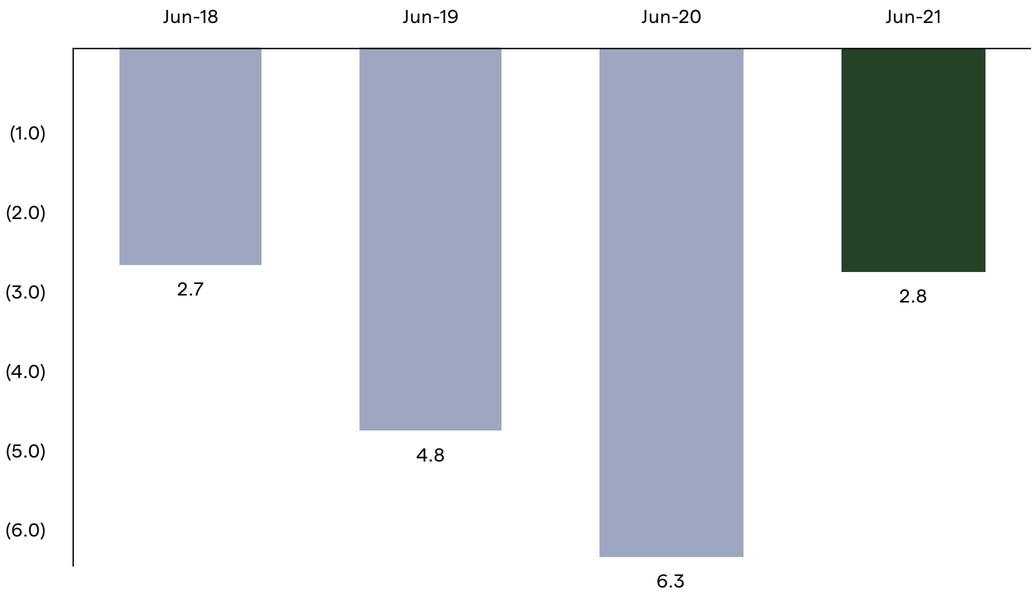
Adjusted EBITDA	(2,836)	(4,848)
Depreciation & Amortisation	(812)	(751)
Finance Costs	(1,911)	(2,086)
Listing Costs	(1,185)	–
Net change in fair value of financial liabilities at fair value through profit or loss	(2,502)	468
Share Based Payments	(1,533)	
Loss before income tax	(10,778)	(7,217)

Group operating performance made significant progress with net operating cash outflows in FY21 of $2.8m, improving $3.6m on the previous financial year.

Directors' report

Cash flows

Fig. 4 - Operating cash flows ($m)



In January 2021, Felix listed on the ASX raising $12m. Felix is well capitalised to progress its strategic growth initiatives with cash and cash equivalents at the end of the financial year of $8.9m.

Expanded Board

Felix welcomed a number of key additions to the Board of Directors in financial year 2021. Michael Bushby was appointed Non-Executive Chairman, bringing to the Board over 30 years' experience in the transport sector. Mr. Bushby is currently President of Roads Australia and was previously a non-executive director and Chairman of EROAD Ltd, Chief Executive of Roads & Traffic Authority in NSW and held a senior position at Leighton Contractors. In January, Rob Phillpot was appointed as an additional independent non-executive director. Mr Phillpot, brings extensive experience in the construction software industry to Felix. Mr Phillpot was a co-founder of Aconex, a construction collaboration platform, which was acquired by Oracle in 2018 for $1.6bn. In July, Joycelyn Morton was appointed an independent non-executive director. Ms Morton has extensive business experience in Australia and internationally across infrastructure, energy and government sectors.

Outlook

Felix is well positioned to continue to drive scale across its digital procurement platform. The Company's strong pipeline of new Contractors provides significant opportunity to both grow ARR while continuing to rapidly scale Vendor Marketplace engagement through Contractors mandating usage of Felix across their network of Vendors.

Planned expansion of Contractor modules will further enhance the platform's value proposition to Contractors, delivering opportunities to increase penetration amongst existing Contractors while providing immediate opportunities to win new Contractors.

Development of Vendor compliance modules, to significantly streamline and automate existing practices, provide a further avenue to scale the Vendor Marketplace, underpinning significant additional opportunity to monetise Vendors.

Directors' report

Significant changes in the state of affairs

The consolidated entity was admitted to the list of companies trading on the Australian Securities Exchange (ASX) on 12 January 2021.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially beneficially for the consolidated entity to qualify and receive Government stimulus measures in the period, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is ongoing and the flow on effects are dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

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

Company secretary

James Frayne (BBus, CA, MBA, MAICD) joined the consolidated entity in 2014 and has held the role of Company Secretary since November 2018. He also has the role of Chief Financial Officer and has over twelve years' experience leading finance functions.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held [a]	Attended	Held
Michael Bushby	6	6	1	1	1	1
Michael Trusler [b]	10	10	1	1	1	1
Mike Davis	10	10	1	1	2	2
George Rolleston	10	10	1	1	2	2
Rob Phillpot	5	5	-	-	1	1
David Williams	4	4	-	-	1	1
Gail Jukes	1	1	-	-	-	-

a) Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.
b) Michael Trusler was a member of the Audit and Risk Committee in the period from 1 July 2020 to 28 October 2020, attending one meeting during this time.

Directors' report - Remuneration report

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework, coming into full effect in 2022 financial year, that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- Having financial performance as a core component of plan design
- Focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- Attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- Rewarding capability and experience
- Reflecting competitive reward for contribution to growth in shareholder wealth
- Providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Directors’ report - Remuneration report

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors’ fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors’ fees and payments are appropriate and in line with the market. The Chairman’s fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is entitled to receive $110,000 per annum and non-executive directors receive $55,000 per annum for their roles.

ASX listing rules require the aggregate non-executive directors’ remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 29 October 2020, where the shareholders approved the constitution stating a maximum annual aggregate remuneration of $800,000.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. The Nomination and Remuneration Committee reviewed executive remuneration on 29 October 2020 in preparation for the ASX listing and implemented changes to align business goals with KPI’s. These changes will come into effect in the 2022 financial year.

The executive remuneration and reward framework has four components:

- Base pay and non-monetary benefits
- Short-term performance incentives
- Share-based & option payments
- Other remuneration such as superannuation and long service leave

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, will be reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.
The short-term incentives (‘STI’) program, to commence in financial year 2022, is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (‘KPI’s’) being achieved. KPI’s include EBITDA performance and a mix of role specific metrics for the different executives.

For the financial year ending 30 June 2021 all executives removed their entitlement to any STI cash bonuses as a result of the uncertain economic environment due to the global pandemic.

The long-term incentives (‘LTI’) include long service leave and share-based payments. Remuneration is awarded to executives over a period of two to five years based on long-term incentive measures.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined EBITDA targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2021, the consolidated entity, through the Nomination and Remuneration Committee, implemented the recommendations of Godfrey Remuneration Group, remuneration consultants on how to improve both the STI and LTI programs. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented and STI. Some of the recommendations of the remuneration consultants will be taken up in the 2022 financial year.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Felix Group Holdings Limited:

- Michael Bushby - Non-Executive Chairman (appointed on 17 November 2020)
- Michael Trusler - Non-Executive Director
- Mike Davis - Executive Director and Chief Executive Officer
- George Rolleston - Non-Executive Director
- Rob Phillpot - Non-Executive Director (appointed on 22 January 2021)
- Joycelyn Morton - Non-Executive Director (appointed on 14 July 2021)
- David Williams – Former Non-Executive Director (resigned on 28 October 2020)
- Gail Jukes - Former Non-Executive Director (appointed on 19 November 2020, resigned on 24 November 2020)

And the following persons:

- James Frayne - Company Secretary and CFO

Directors’ report - Remuneration report

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2021	Cash salary and fees ($)	Cash bonus ($)	Non-monetary ($)	Super-annuation ($)	Long service leave ($)	Equity-settled shares [e] ($)	Equity-settled options [f] ($)	Total ($)
Non-Executive Directors:								
Michael Bushby [a] (Chairman)	58,929	-	-	5,598	-	-	38,725	103,252
Michael Trusler	35,987	-	-	3,419	-	7,333	31,892	78,631
George Rolleston	35,987	-	-	3,419	-	-	19,363	58,769
Rob Phillpot [b]	19,643	-	-	1,866	-	-	-	21,509
David Williams [c]	13,699	-	-	1,301	-	-	21,000	36,000
Gail Jukes [d]	-	-		-	-	-	-	-
Executive Directors:								
Mike Davis	200,946	-	-	18,613	-	16,250	27,765	263,574
Other Key Management Personnel:								
James Frayne	157,176	-	-	14,875	-	28,217	53,852	254,120
Total	522,367	-	-	49,091	-	51,800	192,597	815,855

a Michael Bushby was appointed to the Board on 17 November 2020
b Rob Phillpot was appointed to the Board on 22 January 2021
c Represents remuneration from 1 July 2020 to 28 October 2020.
d Appointed on 19 November 2020 and resigned on 24 November 2020 due to existing commitments.
e Further information can be found in Note 37.
f Further information can be found in Note 37. Equity-settled options value is expensed over the vesting period and are a non-cash accounting expense. The value is determined by an independent valuation using the Binomial pricing model.

Directors’ report - Remuneration report

		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments	
2020	Cash salary and fees ($)	Cash bonus ($)	Non-monetary ($)	Super-annuation ($)	Long service leave ($)	Equity-settled shares ($)	Equity-settled options ($)	Total ($)
Non-Executive Directors:								
David Williams (Chairman)	30,822	-	-	2,928	-	-	-	33,750
George Rolleston	26,884	-	-	2,554	-	-	-	29,438
John Grant [a]	9,132	-	-	868	-	-	-	10,000
Executive Directors:								
Michael Trusler	172,319	-	-	11,337	-	-	-	183,656
Mike Davis	138,400	-	-	11,733	-	-	-	150,133
Other Key Management Personnel:								
James Frayne	119,472	16,051	-	12,875	-	-	-	148,398
Total	497,029	16,051		42,295	-	-	-	555,375

[a] Represents remuneration from 11 December 2019 to 6 March 2020.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
Executive Directors:	2021	2020	2021	2020	2021	2020
Michael Trusler	50%	100%	0%	0%	50%	0%
Mike Davis	83%	100%	0%	0%	17%	0%
Other Key Management Personnel:						
James Frayne	68%	89%	0%	11%	32%	0%

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2021	2020	2021	2020
Executive Directors:				
Michael Trusler	-	-	-	-
Mike Davis	-	-	-	-
Other Key Management Personnel:				
James Frayne	-	82%	-	18%

Employment agreements

Remuneration and other terms of employment for key management personnel are formalised in Employment agreements. Details of these agreements are as follows:

Name: **Mike Davis**

Title: Managing Director and Chief Executive Officer

Agreement commenced: 29 October 2020 (Prior agreements commencing from 29 August 2012)

Details: Base salary for the year ending 30 June 2021 of $275,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party, cash bonus of 25% base salary as per Nomination and Remuneration Committee approval and EBITDA achievement for the 2022 financial year, non-solicitation and non-compete clauses.

Name: **James Frayne**

Title: Company Secretary and CFO

Agreement commenced: 29 October 2020 (Prior agreements commencing from 30 June 2014)

Details: Base salary for the year ending 30 June 2021 of $215,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party, cash bonus of 25% base salary as per Nomination and Remuneration Committee approval and EBITDA achievement for the 2022 financial year, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Directors' report - Remuneration report

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of the salary sacrifice employee share scheme during the year ended 30 June 2021 are set out below:

Name	Date	Shares	Issue Price	$
Mike Davis	10 December 2020	45,138	$0.36	16,250
Michael Trusler	10 December 2020	20,370	$0.36	7,333
James Frayne	10 December 2020	78,381	$0.36	28,217

*Options were granted to Kidder Williams Ltd, which David Williams controls and is a Director.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Michael Bushby	305,555	10 December 2020	8 April 2021 & 8 April 2021	7 January 2024	$0.36	$0.084
Michael Bushby	305,556	10 December 2020	8 January 2022 & 8 January 2022	7 January 2024	$0.36	$0.084
David Willams*	500,000	10 December 2020	8 January 2021 & 8 January 2021	7 January 2024	$0.58	$0.039
David Willams*	500,000	10 December 2020	8 January 2021 & 8 January 2021	7 January 2024	$0.72	$0.003
George Rolleston	152,777	10 December 2020	8 April 2021 & 8 April 2021	7 January 2024	$0.36	$0.084
George Rolleston	152,778	10 December 2020	8 January 2022 & 8 January 2022	7 January 2024	$0.36	$0.084
Michael Trusler	152,777	10 December 2020	8 April 2021 & 8 April 2021	7 January 2024	$0.36	$0.084
Michael Trusler	152,778	10 December 2020	8 January 2022 & 8 January 2022	7 January 2024	$0.36	$0.084
Michael Trusler	20,370	10 December 2020	1 July 2021 & 1 July 2021	1 July 2021	$0.00	$0.360
Michael Trusler	40,740	10 December 2020	1 July 2022 & 1 July 2022	1 July 2022	$0.00	$0.360
Mike Davis	45,138	10 December 2020	1 July 2021 & 1 July 2021	1 July 2021	$0.00	$0.360
Mike Davis	90,277	10 December 2020	1 July 2022 & 1 July 2022	1 July 2022	$0.00	$0.360
James Frayne	78,381	10 December 2020	1 July 2021 & 1 July 2021	1 July 2021	$0.00	$0.360
James Frayne	156,763	10 December 2020	1 July 2022 & 1 July 2022	1 July 2022	$0.00	$0.360
James Frayne	39,290	10 December 2020	30 June 2023 & 30 June 2023	30 June 2024	$0.00	$0.228
James Frayne	39,290	10 December 2020	30 June 2024 & 30 June 2024	30 June 2025	$0.00	$0.235
James Frayne	39,290	10 December 2020	30 June 2025 & 30 June 2025	30 June 2026	$0.00	$0.241
James Frayne	39,290	10 December 2020	31 December 2025 & 31 December 2025	31 December 2026	$0.00	$0.253

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period. The executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Directors' report - Remuneration report

2021

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Michael Bushby	51,333	-	-	38%
Michael Trusler	47,666	-	-	41%
Mike Davis	48,749	-	-	11%
George Rolleston	25,667	-	-	24%
David Willams*	21,000	-	-	58%
James Frayne	122,252	-	-	22%

*Options were granted to Kidder Williams Ltd, which David Williams controls and is a Director.'

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ transfers	Balance at the end of the year
Ordinary shares					
Michael Bushby	-	-	100,000	-	100,000
Michael Trusler [a]	13,552,400	20,370	-	(5,111,000) [b]	8,461,770
Mike Davis [a]	13,552,400	45,138	-	(5,111,000) [b]	8,486,538
George Rolleston	8,876,200	-	1,371,762	-	10,247,962
David Williams	12,024,000	-	8,137,543	-	20,161,543
Gail Jukes	-	-	-	-	-
Rob Phillpot	-	-	1,388,889	-	1,388,889
James Frayne	60,000	78,381	-	-	138,381
Total	34,512,600	143,889	10,998,194	(5,111,000)	40,543,683

a) At the beginning of the period Michael Trusler and Mike Davis held 13,552,400 shares in the consolidated entity through a jointly controlled entity M.A.D Technologies Pty Ltd. (8,441,400 were held in this entity at the end of the period).

b) All disposals/ transfers in the period occurred prior to the ASX listing on 12 January 2021.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
Options over ordinary shares					
Michael Bushby	-	611,111	-	-	611,111
Michael Trusler	-	366,665	-	-	366,665
Mike Davis	-	135,415	-	-	135,415
George Rolleston	-	305,555	-	-	305,555
David Williams	-	1,000,000	-	-	1,000,000
Gail Jukes	-	-	-	-	-
Rob Phillpot	-	-	-	-	-
James Frayne	-	392,304	-	-	392,304
Total	-	2,811,050	-	-	2,811,050

Other transactions with key management personnel and their related parties

Kidder Williams Ltd managing director, David Williams, was a director of the Group until 28 October 2020. David is the largest shareholder of the Company (15%) via the entity Moggs Creek Pty Ltd.

Kidder Williams was engaged to provide corporate advisory services for the IPO. The agreement required Felix to pay:

a) $10,000 per month retainer, ended January 2021;

b) success fee of $200,000 cash;

c) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.58 per option. The value of these options at 30 June 2021 is $19,500;

d) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.72 per option. The value of these options at 30 June 2021 is $1,500; and

e) A mandate for 12 months following the date of the ASX Listing to undertake a watching brief for potential M&A/capital raising opportunities at $25,000 per month for 12 months, ending December 2021. Should any M&A opportunity or capital raising arise, fees will be separately agreed.

Refer to note 30 for detailed information on related party transactions.

This concludes the remuneration report, which has been audited.

All shares under option

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

Grant date	Expiry date	Exercise price	Number under option
16 September 2016	16 September 2021	$0.48	1,294,600
10 December 2020	1 July 2022	$0.00	2,579,672
10 December 2020	7 January 2024	$0.58	500,000
10 December 2020	7 January 2024	$0.72	500,000
10 December 2020	8 January 2024	$0.36	1,222,221
10 December 2020	31 December 2026	$0.00	1,571,680

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The ordinary shares of Felix Group Holdings Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted.

Date options granted	Date options exercised	Exercise price	Number of shares issued
10 December 2020	1 July 2021	$0.00	1,355,338

Indemnity and insurance of directors and officers

The company has indemnified the directors and officers of the company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Directors' report

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

There are no officers of the company who are former partners of Grant Thornton Australia Limited.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

MBB CC

____
Michael Bushby
Chairman

23 August 2021

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Auditor's Independence Declaration

To the Directors of Felix Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Felix Group Holdings Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance

Brisbane, 23 August 2021

Introduction

General Information

The financial statements cover Felix Group Holdings Limited as a consolidated entity consisting of Felix Group Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Felix Group Holdings Limited's functional and presentation currency.

Felix Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office & Principal place of business

Unit 4
34 Navigator Place
Hendra QLD 4011

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2021. The directors have the power to amend and reissue the financial statements.

Consolidated statement of profit or loss and other comprehensive income — For the year ended 30 June 2021

		Consolidated	
	Note	2021 ($'000)	2020 ($'000)
REVENUE			
Sales revenue	4	3,603	3,696
Other income	5	608	636
EXPENSES			
Consultants fees		(567)	(1,401)
Depreciation and amortisation expense		(812)	(751)
Employee benefits expense		(5,343)	(6,340)
Finance costs	6	(1,911)	(2,086)
Listing costs	8	(1,184)	-
Net change in fair value of financial liabilities at fair value through profit or loss	8/18	(2,502)	468
Other expenses	7	(1,137)	(1,439)
Share based payments	8	(1,533)	-
LOSS BEFORE INCOME TAX EXPENSE		(10,778)	(7,217)
Income tax (expense)/ benefit		-	–
Loss after income tax expense for the-year		(10,778)	(7,217)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss Exchange differences on translating foreign controlled entities		1	5
Other comprehensive income for the half-year, net of tax		1	5
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF FELIX GROUP HOLDINGS LIMITED		(10,777)	(7,212)

Loss per share for profit attributable to the members of Felix Group Holdings Limited		Cents	Cents
Basic loss per share	36	10.82	12.00
Diluted loss per share	36	10.82	12.00

Consolidated statement of Financial Position — As at year ended 30 June 2021

	Note	2021 ($'000)	2020 ($'000)
ASSETS			
Current assets			
Cash and cash equivalents	9	8,930	968
Trade and other receivables	10	137	192
Contract assets	11	36	-
Other	12	615	818
Total current assets		9,718	1,978
Non-current assets			
Property, plant and equipment	13	105	133
Right of use assets	14	155	310
Intangible assets	15	596	993
Contract assets	11	68	15
Total non-current assets		924	1,451
Total assets		10,642	3,429
LIABILITIES			
Current liabilities			
Trade and other payables	16	1,021	455
Contract liabilities	17	1,404	1,087
Borrowings	18	-	4,561
Lease liabilities	19	155	165
Derivative financial instruments	20	-	4,222
Short term provisions	21	403	273
Total current liabilities		2,983	10,763
Non-current liabilities			
Lease liabilities	19	-	155
Long term provisions	22	314	201
Total non-current liabilities		314	356
Total liabilities		3,297	11,119
Net assets		7,345	(7,690)
EQUITY			
Issued capital	23	41,548	16,765
Reserves	24	1,029	(1)
Retained profits/ (accumulated losses)		(35,232)	(24,454)
Total equity		7,345	(7,690)

Consolidated statement of changes in equity — For the year ended 30 June 2021

Consolidated	Issued capital ($'000)	Reserves Share Based Payments	Reserves Foreign Exchange ($'000)	Retained profits/ accumulated losses ($'000)	Total equity ($'000)
Balance at 1 July 2019	16,765	-	(7)	(17,237)	(479)
Loss after income tax expense for the year	-	-	–	(7,217)	(7,217)
Other comprehensive income for the year, net of tax	-	-	6	-	6
Total comprehensive income for the year	-	-	(1)	(24,454)	(7,690)
Balance at 30 June 2020	16,765	-	(1)	(24,454)	(7,690)

Consolidated	Issued capital ($'000)	Reserves Share Based Payments	Reserves Foreign Exchange ($'000)	Retained profits/ accumulated losses ($'000)	Total equity ($'000)
Balance at 1 July 2020	16,765	–	(1)	(24,454)	(7,690)
Loss after income tax expense for the year	–	–	–	(10,778)	(10,778)
Other comprehensive income for the year, net of tax	–	–	1	–	1
Total comprehensive income for the year	-	-	1	(10,778)	(10,777)
Contributions of equity, net of transaction costs (note 23)	24,783	-	–	–	24,783
Share-based payments (note 37)	-	1,029	–	–	1,029
Balance at 30 June 2021	41,548	1,029	–	(35,232)	7,345

Consolidated statement of cash flows — For the year ended 30 June 2021

	Note	2021 ($,000)	2020 ($,000)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,809	4,338
Payments to suppliers and employees (inclusive of GST)		(7,577)	(10,641)
		(2,768)	(6,303)
Interest received		3	4
Interest and other finance costs paid		(25)	(57)
Net cash from/(used in) operating activities	33	(2,790)	(6,356)
Cash flows from investing activities			
Payments for property, plant and equipment		(30)	(141)
Payments for intangibles		(202)	(986)
Net cash used in operating activities		(232)	(1,127)
Cash flows from financing activities			
Net proceeds of convertible note issue		-	7,902
Net proceeds of share issue		11,149	-
Net proceeds/ (repayment) of borrowings		(165)	(30)
Net cash used in investing activities		10,984	7,872
Net increase in cash and cash equivalents		7,962	389
Cash and cash equivalents at the beginning of the financial half-year		968	579
Cash and cash equivalents at the end of the financial half-year	9	8,930	968

Notes to the financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Felix Group Holdings Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Felix Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Notes to the financial statements

Note 1. Significant accounting policies (Continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Going Concern

For the period ending 30 June 2021, the Group incurred a loss before income tax of $10,778,397 (2020: $7,217,343).

The Group completed an IPO on 12 January 2021, raising $12 million by issue of new shares. The IPO provided a conversion event for the notes on issue to ordinary shares in the parent entity Felix Group Holdings Ltd. The IPO and conversion event has resulted in $7 million of expenditure for the year. Normalising the Group's loss to remove these one-off events, the adjusted loss for the period is an improvement on the prior year. The Group has improved the cash flows from operations. The net cash outflows from operation for the period was $2.8 million (2020 cash outflows: $6.4 million),

The IPO funds received and improvement in cash flow from operations indicate that no material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group will be able to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The report has been prepared on a going concern basis as the Group has raised sufficient capital from the IPO and discharged any future obligations to repay the convertible notes in cash.

Operating segments

The Group provides a cloud-based SaaS solution to its Contractor and Vendor customer base in Australia and New Zealand. The Chief Executive Officer is Chief Operating Decision Maker (CODM). The CODM monitors the results of the Group on a consolidated basis, therefore there is only one reportable segment.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Felix Group Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1.
Significant accounting policies
(Continued)

Foreign operations

The assets and liabilities of foreign operations, such as the wholly owned subsidiary, Felix Software NZ Ltd (New Zealand entity) are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

The Group utilises a five-step approach to revenue recognition. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Group exercises judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with its customers.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the ‘expected value’ or ‘most likely amount’ method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Access to, and use of, the Platform is granted to customers via a subscription hosting fee. Licence fees and configuration and implementation fees are accounted for as a single performance obligation. The performance obligation is fulfilled over time the customer simultaneously receives and consumes the benefit of accessing the software. Customers are typically invoiced in advance, and consideration is payable when invoiced. Revenue is recognised evenly throughout the period of the subscription. As the group recognises a single performance obligation, the amounts represented in the contract for license and configuration and implementation fees represent the transaction price.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfied a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group splits its revenue between the two sides of the marketplace being monetised, Contractors and Vendors. Revenue recognition is the same across the different customers.

The Contractors pay for an enterprise solution to manage and source from the vendors in their supply chains, while the Vendors can pay for a public profile and receive further business opportunities through the Vendor Marketplace.

Notes to the financial statements

Note 1. Significant accounting policies (Continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
The consolidated entity receives Government grants as a form of other income. Government grants are recognised at fair value where there is a reasonable certainty that the grant will be received upon meeting all grant terms and conditions. Grants related to assets are deducted from the carrying amount of the assets presented in the statement of financial position. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

JobKeeper & PAYG Boost Assistance

The Group recognises government grants relating to JobKeeper & PAYG Boost as income, within profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and Development Tax Incentive

The Group recognises government grants related to the research and development tax incentive (R&D) as other income over the period necessary to match with the costs that they are intended to compensate. R&D grants received in relation to costs capitalised as part of intangible asset additions are recognised as a deduction from the carrying amount of the relevant qualifying assets, in accordance with the accounting policy disclosed above. A government grant receivable in respect of the incentive is recognised when there is reasonable certainty that the grant will be received upon meeting the terms and conditions associated with the grant.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 1. Significant accounting policies (Continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Felix Group Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Notes to the financial statements

Note 1.
Significant accounting policies
(Continued)

There are two classes of contract asset. Customer acquisition costs and accrued revenue.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Accrued Revenue

Accrued revenue is the revenue recognised yet to be billed.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as fair value through the profit or loss):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposits that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Notes to the financial statements

Note 1.
Significant accounting policies
(Continued)

Property, plant and equipment
Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows

Plant and Equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired term of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

All intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their finite life of not longer than 3 years. Residual values and useful lives are reviewed at each reporting date.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events

Note 1. Significant accounting policies (Continued)

or changes in circumstances indicate that they might be impaired. The assessment includes a review of the available internal and external information that indicate the value of the non-financial asset. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible Notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Financial liability

The financial liability has been recorded initially at fair value, calculated as the residual amount after separating the deemed fair value of the embedded derivative from the fair value of the combined instrument The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity, with the corresponding interest expense recorded in profit or loss. Related costs have been deducted from the carrying value of the liability upon initial recognition and subsequently included in the amortised cost calculation.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the

period in which they are incurred.
Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees and in some instances advisors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees or advisors in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial model that takes into account expected price volatility of the underlying share, vesting restrictions such as escrow

Note 1.
Significant accounting policies
(Continued)

periods and forfeiture.
The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.
If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that

Notes to the financial statements

Note 1.
Significant accounting policies
(Continued)

is significant to the fair value measurement.
For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation.
Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Felix Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the financial statements

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The consolidated entity has applied the simplified approach for provisioning for expected credit losses prescribed by AASB 9 for financial assets held at amortised cost.

Additional information on trade and other receivables is included in Note 10.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 37 for further information.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 26 for further information.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the financial statements

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity provides a cloud-based SaaS solution to its Contractor and Vendor customer base in Australia and New Zealand. The Chief Executive Officer is Chief Operating Decision Maker (CODM). The CODM monitors the results of the Group on a consolidated basis and is therefore one reportable segment.

The consolidated entity has one customer from which it generates greater than 10% of its revenue for the 2022 financial year, $521,293 (2020: $538,718). The revenue for this customer is included in the one reportable segment of the consolidated entity.

Note 4. Sales Revenue

	Consolidated	
	2021 ($'000)	2020 ($'000)
Marketplace Subscription (Vendor) Revenue	2,138	2,565
Enterprise SaaS (Contractor) Revenue	1,465	1,131
Total	3,603	3,696
Timing of revenue recognition Revenue transferred over time	3,603	3,696

For the financial year, revenue includes $1,022,375 (2020: $1,093,206) included in the contract liability balance at the beginning of the period broken down as follows.

	Consolidated	
	2021 ($'000)	2020 ($'000)
Marketplace Subscription (Vendor) Revenue	706	944
Enterprise SaaS (Contractor) Revenue	316	149
Total	1,022	1,093

Revenue from contracts with customers is derived from the Group's combined platform. The Group splits its revenue between the two sides of the marketplace being monetised, Contractors and Vendors.

Note 5. Other income

	Consolidated	
	2021 ($'000)	2020 ($'000)
Income tax benefit	48	63
Government incentives	527	481
Other revenue	33	92
Total other income	608	636

The Group received $477,000 through the JobKeeper scheme and $50,000 through the PAYG Cashflow Boost scheme. Both Government grants were administered by the Australian Tax Office as a form of economic stimulus in response to COVID-19.

Notes to the financial statements

Note 6. Finance Costs

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Finance charges on convertible note	1,886	2,029
Other interest	25	57
Total finance costs	1,911	2,086

Note 7. Other expenses from continuing activities

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Advertising and marketing	238	298
Other	176	288
Professional fees	347	330
Research and development costs	109	151
Subscriptions	205	164
Travel	62	208
Total	1,137	1,439

Note 8. Significant expenses

The loss for the year includes the following items that are unusual because of their nature, size or incidence.

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Finance charges on convertible note	1,886	2,029
Listing costs	1,184	–
Net change in fair value of financial liabilities at fair value through profit or loss	2,502	(468)
Share based payments expense arising on initial public offering	1,533	–
Total	7,105	1,561

Notes to the financial statements

Note 9. Current assets - Cash and cash equivalents

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Cash at bank	8,930	968
Total	8,930	968

Note 10. Current assets - trade and other receivables

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Trade receivables	137	192
Less: Allowance for expected credit losses	-	-
Total trade and other receivables	137	192

Note 11. Contract assets

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Contract assets - Current	36	-
Contract assets – Non-Current	68	15
Total contract assets	104	15

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

	2021 ($'000)	2020 ($'000)
Opening balance	15	15
Additions	89	-
Cumulative catch-up adjustments	-	-
Transfer to trade receivables	-	-
Closing balance	104	15

Note 12. Other current assets

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Prepayments	286	85
R&D tax incentive refund	157	391
Other assets	172	342
Total other current assets	615	818

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2021 ($'000)	2020 ($'000)
Office equipment at cost	80	73
Less: Accumulated depreciation	(23)	(13)
	57	60
Computer equipment at cost	176	182
Less: Accumulated depreciation	(133)	(118)
	43	64
Motor vehicles at cost	27	27
Less: Accumulated depreciation	(22)	(18)
	5	9
Total plant and equipment	105	133

	Consolidated 2021 ($'000)	2020 ($'000)
Office Equipment		
Balance at 1 July	60	68
Additions	7	-
Disposals	-	-
Depreciation and amortisation expense	(10)	(8)
Balance at 30 June	57	60
Computer equipment		
Balance at 1 July	64	86
Additions	25	23
Disposals	(31)	-
Depreciation and amortisation expense	(15)	(45)
Balance at 30 June	43	64

Notes to the financial statements

Note 13. Non-current assets - property, plant and equipment (Continued)

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Motor Vehicles		
Balance at 1 July	9	12
Additions	-	-
Disposals	-	-
Depreciation and amortisation expense	(4)	(3)
Balance at 30 June	5	9

Note 14. Non-current assets - right-of-use assets

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Land and buildings - right-of-use	484	484
Less: Accumulated amortisation	(329)	(174)
	155	310
Moving in Carrying Amounts		
Balance at 1 July	310	344
Additions	-	121
Disposals	-	-
Amortisation expense	(155)	(155)
Balance at 30 June	155	310

There were no additions to the right-of-use assets during the year.

The consolidated entity leases land and buildings for its head office premises at 34 Navigator Place, Hendra QLD 4011, under an agreement of three years, ending on 30 April 2022. On renewal, the terms of the leases are renegotiated.

Note 15. Non-current assets - intangibles

	2021 ($'000)	2020 ($'000)
Technology platform development at cost	2,918	2,729
Less: accumulated amortisation and impairment	(2,322)	(1,736)
	596	993
Movement in carrying amounts		
Balance at 1 July	993	573
Additions	202	986
Impairment	-	(25)
Amortisation expense	(599)	(541)
Balance at 30 June	596	993

Notes to the financial statements

Note 16. Current liabilities - trade and other payables

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Trade payables	122	77
Accrued expenses	159	8
GST payables	110	40
Other payables	630	330
Total trade and other payables	1,021	455

Note 17. Current liabilities - contract liabilities

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Contract liabilities	1,404	1,087
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,087	1,329
Payments received in advance	1,339	852
Cumulative catch-up adjustments	-	-
Transfer to revenue - included in the opening balance (Note 4)	(1,022)	(1,094)
Transfer to revenue - performance obligations satisfied in previous periods	-	-
Transfer to revenue - other balances	-	-
Closing balance	1,404	1,087

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $1,403,604 as at 30 June 2021 ($1,087,267 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Within 6 months	988	877
6 to 12 months	381	210
12 to 18 months	35	-
18 to 24 months	-	-
Total unsatisfied performance obligations	1,404	1,087

Note 18. Current liabilities - borrowings (continued)

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Opening balance / Fair value of convertible notes upon issue	4,561	3,213
Less: allocation of fees	-	(264)
Interest expense	1,886	1,612
Derecognition on conversion of notes to equity	(6,447)	-
Carrying value of convertible notes at reporting date	-	4,561

The 5,041,831 Series A (Sep-19) and 2,860,000 Series B (Apr-20) convertible notes on issue converted to equity at a discount of 30% and 40% to the IPO price respectively. The notes were mandatorily converted on the last day of the IPO offer period, 10 December 2020, resulting in 36,583,444 shares issued with a fair value on conversion of $13,170,040; being $2,502,131 more than the carrying amount of the host debt as at conversion of $6,446,141 plus the carrying value of the embedded derivative $4,221,598. This was recognised through the statement of profit and loss and comprehensive income during the period.

For more information on the derivative financial instrument component of the convertible note instrument refer to Note 20.

Note 19. Current liabilities - lease liabilities

	Consolidated 2021 ($'000)	Consolidated 2020 ($'000)
Lease liability - current	155	165
Lease liability – non-current	-	155
Total lease liability	155	320

Note 19. Current liabilities - lease liabilities (Continued)

Future minimum lease payments as at 30 June 2021 included:

	Consolidated	
	2021 ($'000)	30 Jun 2020 ($'000)
Within one year		
Lease payments	163	190
Less: Future finance charges	(8)	(25)
Net present value	155	165
One to five years	-	
Lease payments	-	163
Less: Future finance charges	-	(8)
Net present value		155
Total		
Lease payments	163	353
Less: Future finance charges	(8)	(33)
Net present value	155	320

Refer to note 25 for further information on financial instruments.

Note 20. Current liabilities - derivative financial instruments

	Consolidated	
	2021 ($'000)	30 Jun 2020 ($'000)
Opening balance / Fair value of derivative financial liability upon issue	4,222	4,690
Net change in fair value	2,502	(468)
Derecognition on conversion of note	(6,724)	-
Derivative financial liability	-	4,222

Due to the difficulty in being able to reliably measure the fair value of the embedded derivative independently, the fair value of the derivative liability has been determined as the difference between the hybrid contract and the fair value of the underlying debt instrument, where the fair value of the debt instrument has been deemed to be the face value of the convertible notes plus accrued interest to date plus the additional premium payable on redemption.

For more information on the host debt contract within the convertible note instruments refer to Note 18.

Derivative Financial liability

The fair value of the embedded derivative instrument has been determined by using a discounted cash flow (DCF) model to estimate the fair value of the Group in various scenarios and then application of a Monte Carlo simulation to consider the difference in value between the total payback of the convertible notes and the liability component to determine the fair value of the derivative in the various scenarios, taking into account the terms and conditions upon which the instruments were granted. The actual future value of the Group and therefore resulting value of the derivative may vary depending on actual results.

Refer to note 25 for further information on financial instruments.
Refer to note 26 for further information on fair value measurement.

Notes to the financial statements

Note 21. Current liabilities – short term provisions - employee benefits

	Consolidated 2021 ($'000)	Consolidated 30 Jun 2020 ($'000)
Employee benefits	403	273

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	Consolidated 2021 ($'000)	Consolidated 30 Jun 2020 ($'000)
Leave that is not expected to be taken within the next 12 months	90	25

Note 22. Non-current liabilities – long term provisions - employee benefits

	Consolidated 2021 ($'000)	Consolidated 30 Jun 2020 ($'000)
Employee benefits	314	201

Note 23. Equity - issued capital

	Consolidated			
	2021 No. of Shares	2020 No. of Shares	2021 $'000	2020 $'000
Ordinary shares fully paid	131,530,352	300,753	41,548	16,765

Note 23. Equity - issued capital (Continued)

Movements in ordinary share capital

		Consolidated		
	Date	No. of Shares	Issue price	$'000
Balance	1 July 2019	300,753	-	16,765
Balance	30 June 2020	300,753		16,765
Share Split (1/200)	29 October 2020	59,849,847		-
Conversion of notes to ordinary shares	10 December 2020	36,583,444	$0.36	13,170
Issue of shares for IPO (net of costs)	8 January 2020	33,333,333	$0.36	11,088
Issue of shares for employee incentive plan	8 January 2020	1,462,975	$0.36	525
Balance	30 June 2021	131,530,352		41,548

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses through new platform development.

At the AGM on 29 October 2020, the shareholders unanimously voted to split the shares one share for two hundred shares.

The consolidated entity converted all outstanding notes into equity on the final day of the offer period for the IPO, 10 December 2020. For more information see note 18.

The group listed on the ASX on 12 January 2021, raising $12 million to fund future platform development ($11.1 million after costs). 33,333,333 shares were issued on 8 January 2021 at $0.36 in relation to the offer. The employee salary sacrifice arrangement resulted in 1,462,975 shares issued on 8 January 2021 for nil consideration. The employees had foregone salary for 15 months to fund the share issue.

For more information on the conversion of convertible notes to equity see note 18.

Note 24. Equity - reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Foreign exchange	-	(1)
Share based payment:		
Employee salary sacrifice options	868	-
Senior management options	63	-
Director options	77	-
Consultant options	21	-
Total	1,029	(1)

Movement in carrying amounts	Foreign exchange $'000	Employee salary sacrifice options $'000	Senior management options $'000	Director options $'000	Consultant options $'000
Balance at 1 July	(1)	-	-	-	-
FX Movement	1	-	-	-	-
Options - Additions	-	868	63	77	21
Options Exercised	-	-	-	-	-
Balance at 30 June	-	868	63	77	21

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share based payments

For more information see note 37.

Note 25. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risks for the New Zealand dollar to Australian dollar rate.

Note 25.
Financial instruments
(Continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

Interest rate risk consists of cash flow interest rate risk (the risk that future cash flows of a financial instrument will vary due to changes in market interest rates) and fair value interest rate risk (the risk that the value of the financial instrument will vary due to changes in market interest rates).

Interest rate risk is the risk of financial loss and/or increased costs due to adverse movements in the values of the financial assets and liabilities as a result of changes in interest rates.

The consolidated entity is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

No trade receivables were considered impaired at 30 June 2021.

As at 30 June 2021 trade receivables of $24,145 (30 June 2020: $79,954) were past due but not considered impaired.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Notes to the financial statements

Note 25. Financial instruments (Continued)

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-interest bearing						
Trade payables	-	123	-	-	-	123
Other payables	-	740	-	-	-	740
Interest-bearing - fixed rate						
Lease liability	4.95%	163	-	-	-	163
Total non-derivatives		1,026	-	-	-	1,026

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	77	-	-	-	77
Other payables	-	370	-	-	-	370
Interest-bearing - fixed rate						
Convertible notes payable	10.00%	-	4,560	-	-	4,560
Lease liability	4.95%	190	163	-	-	353
Total non-derivatives		**637**	**4,723**	**-**	**-**	**5,360**
Derivatives						
Convertible note	-	4,222	-	-	-	4,222
Total derivatives		**4,222**	**-**	**-**	**-**	**4,222**

Note 26. Fair value measurement

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the financial statements

Note 26. Fair value measurement (Continued)

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3:

Unobservable inputs for the asset or liability

Consolidated - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative (convertible note)	-	-	-	-
Total liabilities	-	-	-	-

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative (convertible note)	-	-	4,222	4,222
Total liabilities	-	-	4,222	4,222

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

i) The embedded derivative was valued using option pricing techniques, including the Black-Scholes model. Given that at the time of performing the valuations, the Company's shares were unlisted and not readily available for sale, the resulting valuations are classified as level 3.

Notes to the financial statements

Note 27. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Short-term employee benefits	594	505
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	50
Share-based payments	223	-
Total director and key management personnel compensation	817	555

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	Consolidated 2021 $	Consolidated 2020 $
Audit services – Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	82,984	50,000
Other services - Grant Thornton Australia Ltd		
Investigative accountants report (IPO transaction)	90,750	-
Tax due diligence report (IPO transaction)	27,000	-
Tax losses report	17,000	-
Total other services	134,750	-
Total fees to Grant Thornton Australia Ltd	217,734	50,000

The other services Grant Thornton were engaged for in the period are non-recurring and relate to the IPO transaction.

Note 29. Contingent liabilities

There were no contingent liabilities at reporting date.

Notes to the financial statements

Note 30. Related party transactions

Parent entity

Felix Group Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with Kidder Williams Ltd.

Kidder Williams Ltd managing director, David Williams, was a director of the Group until 28 October 2020. David is the largest shareholder of the Company (15%) via the entity Moggs Creek Pty Ltd.

Kidder Williams was engaged to provide corporate advisory services for the IPO.

The agreement required Felix to pay:

a) $10,000 per month retainer, ended January 2021;

b) success fee of $200,000 cash;

c) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.58 per option. The value of these options at 31 December 2020 is $19,500;

d) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.72 per option. The value of these options at 31 December 2020 is $1,500; and

e) A mandate for 12 months following the date of the ASX Listing to undertake a watching brief for potential M&A/capital raising opportunities at $25,000 per month for 12 months, ending December 2021. Should any M&A opportunity or capital raising arise, fees will be separately agreed.

	Consolidated	
	2021 $	2020 $
Payment to Kidder Williams for services:		
Cash	445,130	125,000
Face value of convertible notes issued	-	125,000
Face value of options issued	21,000	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Notes to the financial statements

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income	Parent 2021 $'000	Parent 2020 $'000
Profit/ (Loss) after income tax	(7,161)	(1,543)
Total comprehensive income	(7,161)	(1,543)

Statement of financial position	Parent 2021 $'000	Parent 2020 $'000
Total current assets	8,750	1,356
Total assets	36,613	25,951
Total current liabilities	155	-
Total liabilities	2,970	10,959
Equity		
Issued capital	42,577	16,765
Retained earnings / accumulated losses	(8,933)	(1,773)
Total equity	33,644	14,992

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the financial statements

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Principal place of business / Country of incorporation	Ownership Interest 2021 %	Ownership Interest 2020 %
Felix Software Pty Ltd	Australia	100.00%	100.00%
Plant Miner Pty Ltd	Australia	100.00%	100.00%
Miner Group Services Pty Ltd	Australia	100.00%	100.00%
Miner Group R&D Pty Ltd	Australia	100.00%	100.00%
Miner Group I.P. Pty Ltd	Australia	100.00%	100.00%
Felix Software NZ Limited	New Zealand	100.00%	100.00%

Note 33. Reconciliation of profit after income tax to net cash from operating activities

	2021 $'000	2020 $'000
Loss after income tax expense for the year	(10,777)	(7,217)
Adjustments for:		
Depreciation and amortisation	812	751
Impairment of intangible assets	-	25
Net gain on disposal of non-current assets	-	-
Interest expense on convertible note	1,886	1,612
Net change in fair value of financial liabilities at fair value through profit and loss	2,502	(468)
Foreign exchange differences	1	5
Share based payments	1,533	-
Loss on disposal of subsidiary	-	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	20	146
Decrease/(increase) in other assets	150	(177)
Increase/(decrease) in trade and other payables	525	(625)
Increase/(decrease) in provisions	316	97
Increase/(decrease) in contract liabilities	242	(241)
Increase/(decrease) in financial liabilities	-	(264)
Net cash from operating activities	(2,790)	(6,356)

Notes to the financial statements

Note 34. Non-cash investing and financing activities

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Additions to the right-of-use assets	-	121
Net change in fair value of financial liabilities	2,502	(468)
Interest on convertible note	1,886	1,612
Shares issued under employee share plan	1,519	-
	5,907	1,265

Note 35. Changes in liabilities arising from financing activities

	Derivatives	Convertible notes $'000	Lease liability $'000	Total $'000
Balance at 1 July 2019	-		350	350
Net cash from/(used in) leasing activities			(30)	(30)
Net cash from convertible note issue	-	8,782	-	8,782
Derivative valuation	4,222	(4,222)	-	-
Balance at 30 June 2020	4,222	4,560	320	9,102
Net cash from/(used in) leasing activities	-	-	(165)	(165)
Conversion event	(4,222)	(4,560)	-	(8,782)
Balance at 30 June 2021	-	-	155	155

Note 36. Earnings per share

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net loss attributable to the ordinary equity holders of the consolidated entity	(10,778)	(7,217)

Notes to the financial statements

Note 36. Earnings per share (Continued)

	Consolidated	
	2021 $'000	2020 $'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	99,653,915	60,150,600

	Cents	Cents
Continuing Operations		
Basic earnings per share	10.82	12.00
Diluted earnings per share	10.82	12.00

Information concerning the classification of securities

Options granted under the employee share scheme: salary sacrifice options, senior management options and director options or granted to consultants as share based payments, are considered contingently issuable ordinary shares if the vesting conditions are satisfied at the balance sheet date. At 30 June 2021, the vesting conditions are not satisfied and as such are not included as part of the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.

The options are not included in the determination of basic earnings per share as they are anti-dilutive. Details of the option schemes are set out in Note 37: Share-based payments.

Note 37. Share-based payments

Employee Incentive Plan

The Group established an Employee Incentive Plan (EIP) in the period. The plan is designed to provide long-term incentives to eligible employees and/or directors. Under the plan, options or shares may be granted to participants at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Under the EIP, the Group has provided a salary sacrifice offer, senior management offer and director offer.

Salary Sacrifice Offer

Certain eligible employees were offered the opportunity to apply for Options and Shares, which combined were equal to two times the value of their salary which was agreed to be foregone by that eligible employee in the period 1 July 2020 (or from the date of employment if later) to 30 June 2021. $525,421 worth of Shares and 4.39 million nil exercise priced Options were issued on Listing, with 1/3 of these Options automatically being exercised on 1 July 2021 and 2/3 of these Options being automatically exercised on 1 July 2022. The Options will not be quoted.

The grant date according to AASB 2 is 10 December 2020, the last day of the IPO offer period, as this is considered the point in time where the Group and the eligible

Note 37. Share-based payments (Continued)

employees had a shared understanding of the terms and conditions.

Senior Management Offer

The Senior Management Options were issued on Listing for nil consideration. Like the employee options, the grant date will be 10 December 2020. These Options will automatically vest and be automatically exercised for nil consideration as follows: 1/4 will vest on 30 June 2023; 1/4 will vest on 30 June 2024; 1/4 will vest on 30 June 2025 and ¼ will vest on 30 June 2026, provided that the participant remains an Eligible Employee and the market capitalisation of the Company is greater than its pre-money IPO valuation. If the market capitalisation of the Company on a vesting date is not greater than the Company's pre-money IPO valuation, the relevant vesting date will be extended by a further 12 months. All Shares issued on the vesting will be subject to a 12-month escrow period.

Director Offer

The Director Options totalling 1.22 million Options were all issued on Listing, and deemed granted on 10 December 2020, with 50% vesting 3 months after Listing and the remaining 50% vesting 12 months after Listing, subject to the Directors remaining on the Board and a 3 year expiry from Listing. However, all the Director Options and Shares issued on exercise of those Options will be subject to a 24 months mandatory escrow from Listing. The Board intends to propose at the AGM that incoming Directors since the IPO will be offered an appropriate option package. The proposed option package will be subject to shareholder approval.

Consultant Share Based Payments

Kidder Williams was engaged to provide corporate advisory services for the IPO and agreed to take part of their fee in options. On successful completion of the IPO they received:

a) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.58 per option. The value of these options at 31 December 2020 is $19,500; and
b) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of $0.72 per option. The value of these options at 31 December 2020 is $1,500.

Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 31 December 2020 ranges between $0.04 and $0.36 per option.

The fair value at grant date is independently determined using an adjusted form of the binomial model which takes into account volatility, forfeiture and vesting restrictions such as escrow periods.

Note 37. Share-based payments (Continued)

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/	Balance at the end of the year
16/09/2016	16/09/2021	$0.48	1,294,600	-	-	-	1,294,600
10/12/2020	01/07/2022	-	-	4,388,946	-	-	4,388,946
10/12/2020	01/01/2027	-	-	1,571,680	-	-	1,571,680
10/12/2020	01/01/2024	$0.36	-	1,222,221	-	-	1,222,221
10/12/2020	01/01/2024	$0.58	-	500,000	-	-	500,000
10/12/2020	01/01/2024	$0.72	-	500,000	-	-	500,000
			1,294,600	8,182,847	-	-	9,477,447
Weighted average exercise price			$0.48	$0.13	-	-	$0.18

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/	Balance at the end of the year
16/09/2016	16/09/2021	$0.48	1,294,600	-	-	-	1,294,600
		-	1,294,600	-	-	-	1,294,600
Weighted average exercise price			$0.48	-	-	-	$0.48

The volume-weighted average share price during the financial year was $0.35 (2020: $0.33).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.89 years (2020: 1.25 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at grant date, are as follows:

Note 37. Share-based payments (Continued)

	Grant date	Expiry date	Exercise price	Balance at the start of the year	Expected Volatility	Dividend Yield	Risk-free interest rate	Fair value at grant date
Salary Sacrifice Options	10/12/2020	01/07/2022	$0.36	-	70%	0%	0.14%	$0.128 - $0.358
Senior Management Options	10/12/2020	31/12/2026	$0.36	-	70%	0%	0.14% to 0.43%	$0.028 - $0.050
Director Options	10/12/2020	07/01/2024	$0.36	$0.36	70%	0%	0.14%	$0.043 - $0.084
Consultant Options	10/12/2020	07/01/2024	$0.36	$0.58	70%	0%	0.23%	$0.039
Consultant Options	10/12/2020	07/01/2024	$0.36	$0.72	70%	0%	0.23%	$0.003

Note. 38. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated to receive Government stimulus measured in the period, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Directors’ declaration

In the directors’ opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- The attached financial statements and notes give a true and fair view of the consolidated entity’s financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Michael Bushby
Chairman

23 August 2021

Independent auditor’s report to the members of Felix Group Holdings Limited

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Independent Auditor’s Report

To the Members of Felix Group Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Felix Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 2021 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Independent auditor's report to the members of Felix Group Holdings Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Note 4)	
The Group has recognised $3,603,230 of revenue during the period *AASB 15 Revenue from Contracts with Customers* requires companies to assess revenue recognition using a five step model focusing on meeting performance obligations. This area is a key audit matter due to the judgement required in assessing revenue recognition and the presumed increased level of risk in relation to revenue recognition, particularly for Felix Group Holdings Limited given the focus by stakeholders on revenue growth.	Our procedures included, amongst others: • Obtained an understanding of, and documenting, the key processes and controls used in recording revenue; • Reviewed revenue recognition policies to evaluate compliance with accounting standards, particularly AASB15 *Revenue from Contracts with Customers*, and considered against the 5 step model; • Reviewed prior year position paper in relation to recognition of contract revenue including allocation of revenue to performance conditions and timing of recognition; • For significant contracts agreed key terms to underlying agreements with customers, and ensuring revenue is recorded in line with terms; • In relation to subscription revenue, we performed detailed testing on a statistical sample of revenue items. For each revenue item, the recorded value was traced to supporting documentation and the appropriateness of revenue recognition reviewed, including consideration as to whether any deferred portion of revenue was correctly recorded in line with the contract terms; • Performed analytical procedures including a review of sales on a monthly basis and an analysis of key revenue ratios; and • Reviewed related financial statement disclosures for appropriateness.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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 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 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 Group's ability 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilites/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 15 to 24 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Felix Group Holdings Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 23 August 2021

Shareholder information

The shareholder information set out below was applicable as at 31 July 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	22	0.00
1,001 to 5,000	402	0.80
5,001 to 10,000	161	0.97
10,001 to 100,000	411	10.96
100,001 and over	117	87.27
Total	1,113	100.00
Holding less than a marketable parcel	146	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Moggs Creek Superannuation Fund	19,108,106	14.38
National Nominees Limited	9,337,415	7.03
Plant Investments Limited	9,213,100	6.93
M.A.D Technologies Pty Limited	8,441,400	6.35
UBS Nominees Pty Limited	7,171,881	5.40
BNP Paribas Noms Pty Limited	6,283,067	4.73
HSBC Custody Nominees (Australia) Limited	5,872,081	4.42
Sandhurst Trusteed Limited	4,481,301	3.37
The Trust Company (Australia) Limited	2,710,962	2.04
Mrs Lian Hua Koh	2,486,876	1.87
BNP Paribas Nominees Pty Limited	2,351,580	1.77
Lian Hua Koh	2,104,723	1.58
SFO Ventures Pty Limited	1,853,000	1.39
QBDF Pty Ltd	1,828,400	1.38
Philippa Statham Pty Limited	1,412,431	1.06
GRCT 20 Pty Ltd	1,388,889	1.05
Mr Daniel James Wilson	1,248,287	0.97
Mrs Lauren Jane Ward	1,288,606	0.97
Brispot Nominees Pty Limited	1,114,462	0.84
Kidder Williams Limited	1,053,437	0.79
Total	90,750,004	68.29

Shareholder information

The shareholder information set out below was applicable as at 31 July 2021.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	7,799,190	46

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Moggs Creek Superannuation Fund	19,108,106	14.38

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	9/12/2021	2,920,387
Ordinary shares	08/01/2023	23,804,920
Total		26,725,307