

2021 Appendix 4E Preliminary Final Report

Mayfield Group Holdings Ltd ABN 57 010 597 672
(Formerly known as Stream Group Limited)



1. Company details

Name of entity:	Mayfield Group Holdings Ltd
ABN:	57 010 597 672
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Control over entities

On 22 June 2020, Mayfield Group Holdings Ltd (formerly known as Stream Group Limited) (the Company) announced that they had entered into a Share Purchase Agreement for the acquisition of Mayfield Group Investments Pty Ltd (Mayfield). On 20 November 2020, the transaction was completed whereby the Company acquired 100% of Mayfield by purchasing all the shares from the shareholders of Mayfield, in exchange for the issue of shares in the Company.

From a legal and taxation perspective, the Company is considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 Business Combinations because the acquisition resulted in the Mayfield shareholders holding a controlling interest in the Company after the transaction notwithstanding the Company being the legal parent of the Group. The preliminary final report includes the consolidated financial statements of Mayfield for the year and the Company for the period 20 November 2020 to 30 June 2021. The report represents a continuation of Mayfield's financial statements except for the capital structure.

3. Results for announcement to the market

			\$
Revenues from ordinary activities	up	0.4% to	60,787,993
Profit from ordinary activities after tax attributable to the owners of Mayfield Group Holdings Ltd	down	68.5% to	764,741
Profit for the year attributable to the owners of Mayfield Group Holdings Ltd	down	68.5% to	764,741

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$764,741 (30 June 2020: \$2,425,798).

The 2021 results were impacted by a \$1,053,030 non-recurring, non-cash expense relating to the acquisition of the Mayfield business. Without this expense, the profit would have been \$1,817,771. Revenue was slightly up on the prior period although below expectations. Revenues, margins and operating expenses were all negatively impacted by COVID-19 which led to delays in projects and operating inefficiencies due to supply chain disruptions, border closures and precautions to ensure that all facilities remained COVID-19 free. As a result of these impacts, the Company qualified for \$3,087,648 of Jobkeeper subsidies. It is noteworthy that no one tested positive for COVID-19 at any of the Mayfield facilities.

Despite this result, the profitability and order book recovered strongly in Q4 with a diminished impact of the COVID-19 pandemic experienced. Compared with the corresponding prior period, the consolidated entity's financial position remains strong with good liquidity.



4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	20.47	18.57

For comparison purposes, the number of securities in the previous period is the number of ordinary securities issued to Mayfield shareholders at acquisition.

5. Control gained over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend per ordinary share	52.22	52.22
Interim dividend per ordinary share	12.51	12.51
Interim dividend per ordinary share	28.63	28.63

Dividends paid in the prior year were based on shares held by shareholders of Mayfield

7. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
ATI Australia Pty Ltd	40%	40%	421,142	80,774
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			421,142	80,774

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited.



9. Attachments

Details of attachments (if any):

The preliminary final Financial Statements of Mayfield Group Holdings Ltd and controlled entities for the year ended 30 June 2021 are attached.

10. Signed

Signed 

Date: 31 August 2021

L Case
Chairperson
Sydney



Mayfield Group Holdings Ltd and controlled entities

(Formerly known as Stream Group Limited)

ABN 57 010 597 672

Consolidated Financial Statements - 30 June 2021

Mayfield Group Holdings Ltd and controlled entities
(Formerly known as Stream Group Limited)
Consolidated statement of profit or loss
For the year ended 30 June 2021



	Note	30 June 2021	30 June 2020
		\$	\$
			Restated*
Revenue	5	60,785,046	60,519,274
Share of profits of associates accounted for using the equity method		427,175	80,774
Other income	6	3,337,651	1,569,868
Interest income		2,947	7,752
Expenses			
Raw materials and consumables used		(29,337,336)	(27,033,054)
Employee benefits expense		(26,996,677)	(26,122,888)
Depreciation and amortisation expense	7	(2,127,985)	(1,839,323)
Capital restructure expense		(1,053,030)	-
Occupancy expense		(451,919)	(390,973)
Finance expense		(196,908)	(257,066)
Advertising expense		(147,563)	(166,191)
Other expenses		(2,905,680)	(2,207,500)
Profit before income tax expense	7	1,335,721	4,160,673
Income tax expense	8	(546,938)	(1,670,245)
Profit after income tax expense for the year		<u>788,783</u>	<u>2,490,428</u>
Profit for the year is attributable to:			
Non-controlling interest		24,042	64,630
Owners of Mayfield Group Holdings Ltd		<u>764,741</u>	<u>2,425,798</u>
		<u>788,783</u>	<u>2,490,428</u>
		Cents	Cents
Basic earnings per share	40	0.97	3.51
Diluted earnings per share	40	0.93	3.35

* Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes

Mayfield Group Holdings Ltd and controlled entities
(Formerly known as Stream Group Limited)
Consolidated statement of other comprehensive income
For the year ended 30 June 2021



	30 June 2021 \$	30 June 2020 \$ Restated*
Profit after income tax expense for the year	788,783	2,490,428
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	(333,323)	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised foreign currency translation	(5,515)	-
Other comprehensive income for the year, net of tax	(338,838)	-
Total comprehensive income for the year	<u>449,945</u>	<u>2,490,428</u>
Total comprehensive income for the year is attributable to:		
Non-controlling interest	24,042	64,630
Owners of Mayfield Group Holdings Ltd	<u>425,903</u>	<u>2,425,798</u>
	<u>449,945</u>	<u>2,490,428</u>

* Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

Mayfield Group Holdings Ltd and controlled entities
(Formerly known as Stream Group Limited)
Consolidated statement of financial position
As at 30 June 2021



	Note	30 June 2021 \$	30 June 2020 \$ Restated*	1 July 2019 \$ Restated*
Assets				
Current assets				
Cash and cash equivalents	9	1,390,825	2,939,479	6,234,155
Trade and other receivables	10	14,265,788	9,311,951	11,781,721
Contract assets	11	6,816,903	1,891,989	2,027,215
Inventories	12	1,654,893	1,511,870	1,421,580
Other assets	14	1,488,501	375,061	429,575
Total current assets		25,616,910	16,030,350	21,894,246
Non-current assets				
Right-of-use assets	13	1,379,464	2,771,885	-
Investments accounted for using the equity method	15	1,215,950	788,774	-
Property, plant and equipment	16	11,771,626	4,200,299	4,196,501
Intangibles	17	517,913	517,913	517,913
Deferred tax	8	967,893	936,919	1,154,065
Other assets	14	71,540	216,567	216,567
Total non-current assets		15,924,386	9,432,357	6,085,046
Total assets		41,541,296	25,462,707	27,979,292
Liabilities				
Current liabilities				
Trade and other payables	18	9,590,909	2,777,865	6,128,255
Contract liabilities	19	3,492,231	2,537,470	7,326,246
Borrowings	20	448,334	597,881	532,219
Lease liabilities	21	684,756	867,471	-
Income tax	8	2,444	827,079	433,542
Provisions	22	2,510,566	1,548,250	1,270,106
Total current liabilities		16,729,240	9,156,016	15,690,368
Non-current liabilities				
Borrowings	20	5,964,966	583,716	142,744
Lease liabilities	21	771,368	1,994,108	-
Provisions	22	157,591	447,534	337,411
Total non-current liabilities		6,893,925	3,025,358	480,155
Total liabilities		23,623,165	12,181,374	16,170,523
Net assets		17,918,131	13,281,333	11,808,769
Equity				
Issued capital	23	7,093,730	2,386,520	1,952,665
Reserves	24	(119,188)	476,330	349,096
Retained profits		10,943,589	10,178,848	8,822,109
Equity attributable to the owners of Mayfield Group Holdings Ltd		17,918,131	13,041,698	11,123,870
Non-controlling interest		-	239,635	684,899
Total equity		17,918,131	13,281,333	11,808,769

* Refer to note 3 for detailed information on Restatement of comparatives.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Mayfield Group Holdings Ltd and controlled entities
(Formerly known as Stream Group Limited)
Consolidated statement of changes in equity
For the year ended 30 June 2021



	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2019	1,952,665	(273,663)	9,444,868	684,899	11,808,769
Adjustment for prior period misstatement (note 3)	-	622,759	(622,759)	-	-
Balance at 1 July 2019 - restated	1,952,665	349,096	8,822,109	684,899	11,808,769
Profit after income tax expense for the year	-	-	2,425,798	64,630	2,490,428
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	2,425,798	64,630	2,490,428
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 23)	433,855	-	-	-	433,855
Share-based payments (note 41)	-	107,340	-	-	107,340
Acquisition of minority interest of Power Parameters Pty Ltd	-	-	-	(509,894)	(509,894)
Adjustment due to full acquisition of minority interest of Power Parameters Pty Ltd	-	19,894	-	-	19,894
Dividends paid (note 25)	-	-	(1,069,059)	-	(1,069,059)
Balance at 30 June 2020	<u>2,386,520</u>	<u>476,330</u>	<u>10,178,848</u>	<u>239,635</u>	<u>13,281,333</u>

Refer to note 3 for detailed information on Restatement of comparatives.

	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2020	2,386,520	476,330	10,178,848	239,635	13,281,333
Profit after income tax expense for the year	-	-	764,741	24,042	788,783
Other comprehensive income for the year, net of tax	-	(338,838)	-	-	(338,838)
Total comprehensive income for the year	-	(338,838)	764,741	24,042	449,945
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 23)	4,707,210	-	-	-	4,707,210
Share-based payments (note 41)	-	33,638	-	-	33,638
Dividend paid (note 25)	-	-	-	(26,250)	(26,250)
Acquisition of minority interest in Walker Control Pty Ltd	-	-	-	(237,427)	(237,427)
Adjustment due to full acquisition of minority interest in Walker Control Pty Ltd	-	(290,318)	-	-	(290,318)
Balance at 30 June 2021	<u>7,093,730</u>	<u>(119,188)</u>	<u>10,943,589</u>	<u>-</u>	<u>17,918,131</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Mayfield Group Holdings Ltd and controlled entities
(Formerly known as Stream Group Limited)
Consolidated statement of cash flows
For the year ended 30 June 2021



	Note	30 June 2021	30 June 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		60,702,180	65,798,046
Payments to suppliers and employees (inclusive of GST)		<u>(59,779,259)</u>	<u>(64,843,037)</u>
		922,921	955,009
Interest received		2,947	7,752
Interest and other finance costs paid		(193,818)	(257,066)
Income taxes paid		<u>(1,266,471)</u>	<u>(1,059,562)</u>
Net cash used in operating activities	37	<u>(534,421)</u>	<u>(353,867)</u>
Cash flows from investing activities			
Net cash acquired in a business combination	33	3,693,295	-
Payments for investments		-	(708,000)
Payments for property, plant and equipment	16	(9,422,332)	(1,026,308)
Proceeds from disposal of property, plant and equipment		69,000	81,132
Proceeds from capital investment grant		<u>349,789</u>	<u>-</u>
Net cash used in investing activities		<u>(5,310,248)</u>	<u>(1,653,176)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		-	77,855
Proceeds from borrowings		6,263,661	940,672
Dividends paid	25	(26,250)	(1,069,059)
Repayment of borrowings		(774,324)	(238,216)
Repayment of principle portion of lease liabilities		<u>(909,438)</u>	<u>(803,063)</u>
Net cash from/(used in) financing activities		<u>4,553,649</u>	<u>(1,091,811)</u>
Net decrease in cash and cash equivalents		(1,291,020)	(3,098,854)
Cash and cash equivalents at the beginning of the financial year		<u>2,681,845</u>	<u>5,780,699</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>1,390,825</u></u>	<u><u>2,681,845</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes



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.

On 22 June 2020, Mayfield Group Holdings Ltd (the Company) announced that they had entered into a Share Purchase Agreement for the acquisition of Mayfield Group Investments Pty Ltd (Mayfield). On 20 November 2020, the transaction was completed whereby the Company acquired 100% of Mayfield by purchasing all the shares from the shareholders of Mayfield, in exchange for the issue of shares in the Company.

From a legal and taxation perspective, the Company is considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 Business Combinations because the acquisition resulted in the Mayfield shareholders holding a controlling interest in the Company after the transaction, notwithstanding the Company being the legal parent of the Group.

The financial report includes the general purpose financial statements of Mayfield for the year and the Company for the period 20 November 2020 to 30 June 2021. The annual report represents a continuation of Mayfield's financial statements except for the capital structure. The comparative financial information presented for the year ended 30 June 2020 therefore also pertains to Mayfield in accordance with AASB 3 and AASB 2.

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.

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 32.

Principles of consolidation

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

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.



Note 1. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Mayfield Group Holdings Ltd'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.

Foreign operations

The assets and liabilities of foreign operations 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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.



Note 1. Significant accounting policies (continued)

Combinations between entities under common control

Common control transactions which are business combinations involving entities that are ultimately controlled by the same parent entity are accounted for at book value.

Where the consolidated entity acquires, as part of a common control transaction, assets that meet the definition of a business, the assets and liabilities acquired are recorded using the book values included in the consolidated financial statements of the entity having the highest level within the common control group. The consolidated entity accounts for the difference between the consideration paid (including any contingent consideration) and the book value of the assets and liabilities acquired as a restructure reserve in equity. To the extent the restructure reserve is recognised against contributed equity, subsequent disposals or realisations of the relevant businesses may result in reclassification of the restructure reserve to retained earnings to reflect the realisation of assets to which the restructure reserve relates.

In the consolidated entity's financial statements, to the extent, the common control transaction occurred between entities ultimately controlled by the Company, gains and losses relating to a common control transaction are eliminated against the amount recorded in the acquirer's equity relating to the common control transaction.

In the Company's financial statements, investments in subsidiaries are accounted for at cost on acquisition and subsequently in accordance with Note 1 Principles of consolidation.

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.

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 or changes in circumstances indicate that they might be impaired. 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.

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.

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.



Note 1. Significant accounting policies (continued)

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 but they are not expected to have a material impact.

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, which 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.

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, and the states in which the consolidated entity operates. There is a continued concern at the repeating waves of infection and the impact of sudden border closures and lockdowns in different states. This is likely to continue until a vaccine take-up threshold is agreed by federal and state governments and achieved, and in the immediate future will impact the ability to provide inter-state services. The impact COVID-19 may have upon the financial statements as at the reporting date is uncertain.

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 or Black Scholes 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. The assumptions are disclosed in note 39.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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. The useful lives of assets are disclosed in note 16.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows as stated in note 17.

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.



Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

Note 3. Restatement of comparatives

Correction of prior period misstatement

Mayfield issued partly-paid shares to employees during the years ended 30 June 2019, and 30 June 2020. The partly paid shares were not recorded as Share-based payments under AASB2.

As this misstatement was made in a reporting period prior to the comparative period, the Balance Sheet balances as at 30 June 2019 were restated by creating a Share-based payment reserve of \$622,759 and reducing Retained profits by the same amount.

Partly paid shares issued during the year ended 30 June 2020 resulted in an increase of \$107,340 in the Share-based payment reserve to \$730,099, and an increase in Employee benefits expense of \$107,340.

Statement of profit or loss and other comprehensive income

	30 June 2020		30 June 2020
	\$	\$	\$
Extract	Reported	Adjustment	Restated
Expenses			
Employee benefits expense	(26,015,548)	(107,340)	(26,122,888)
Profit before income tax expense	4,268,013	(107,340)	4,160,673
Income tax expense	(1,670,245)	-	(1,670,245)
Profit after income tax expense for the year	2,597,768	(107,340)	2,490,428
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	<u>2,597,768</u>	<u>(107,340)</u>	<u>2,490,428</u>
Profit for the year is attributable to:			
Non-controlling interest	64,630	-	64,630
Owners of Mayfield Group Holdings Ltd	2,533,138	(107,340)	2,425,798
	<u>2,597,768</u>	<u>(107,340)</u>	<u>2,490,428</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest	64,630	-	64,630
Owners of Mayfield Group Holdings Ltd	2,533,138	(107,340)	2,425,798
	<u>2,597,768</u>	<u>(107,340)</u>	<u>2,490,428</u>



Note 3. Restatement of comparatives (continued)

	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	3.63	(0.12)	3.51
Diluted earnings per share	3.56	(0.21)	3.35

Statement of financial position at the beginning of the earliest comparative period

	1 July 2019 \$ Reported	\$ Adjustment	1 July 2019 \$ Restated
Extract			
Equity			
Reserves	(273,663)	622,759	349,096
Retained profits	9,444,868	(622,759)	8,822,109
Total equity	11,808,769	-	11,808,769

Statement of financial position at the end of the earliest comparative period

	30 June 2020 \$ Reported	\$ Adjustment	30 June 2020 \$ Restated
Extract			
Equity			
Reserves	(253,769)	730,099	476,330
Retained profits	10,908,947	(730,099)	10,178,848
Total equity	13,281,333	-	13,281,333

Note 4. Operating segments

Accounting policy for operating segments

The operating segments are identified based on separate financial information, which is reviewed by the Board of Directors, representing the consolidated entity's Chief Operating Decision Makers ('CODM'), in assessing performance and in determining the allocation of resources.

The consolidated entity operates in primarily one operating segment, namely electrical infrastructure, and one geographical segment, namely Australia. As the consolidated entity operates in only one segment, the consolidated results are also its segment results.

Revenue from overseas customers is not material to the consolidated entity.



Note 5. Revenue

	30 June 2021	30 June 2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sales recognised over a period of time	57,232,700	56,567,871
Sales recognised at a point in time	<u>3,402,112</u>	<u>3,766,165</u>
	<u>60,634,812</u>	<u>60,334,036</u>
<i>Other revenue</i>		
Rental income	26,006	32,115
Sundry revenue	<u>124,228</u>	<u>153,123</u>
	<u>150,234</u>	<u>185,238</u>
Revenue	<u><u>60,785,046</u></u>	<u><u>60,519,274</u></u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	30 June 2021	30 June 2020
	\$	\$
<i>Major product lines</i>		
Sale of goods	3,402,112	3,766,046
Rendering of services	16,698,062	16,953,120
Manufacturing of goods	<u>40,534,638</u>	<u>39,614,870</u>
	<u><u>60,634,812</u></u>	<u><u>60,334,036</u></u>

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. 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 on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; 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.

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. The majority of contracts with customers does not include a variable component, and if provided, do not have a significant impact on revenue.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Manufacturing of goods

Revenue from contracts for the manufacturing of goods is recognised based on a percentage of completion on a cost incurred basis if the customer guarantees payment for performance completed to date, or when the customer obtains control of the goods.



Note 5. Revenue (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Note 6. Other income

	30 June 2021	30 June 2020
	\$	\$
Net foreign exchange gain	138,284	239,608
Net gain on disposal of property, plant and equipment	14,514	5,134
Net gain on disposal of right-of-use asset	63,062	-
Jobkeeper subsidies	3,087,648	1,325,126
Apprentices subsidies	34,143	-
Other income	<u>3,337,651</u>	<u>1,569,868</u>

Accounting policy for Jobkeeper subsidies

Jobkeeper subsidies are recognised as income when it is reasonably assured that the condition attached to the subsidies can be complied with and that the subsidies will or have been received.



Note 7. Expenses

	30 June 2021 \$	30 June 2020 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	4,477	-
Leasehold improvements	276,990	132,545
Plant and equipment	578,178	510,022
Motor vehicles	231,831	197,640
Laboratory test equipment	76,849	106,359
Buildings right-of-use assets	959,466	892,757
Total depreciation	2,127,791	1,839,323
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	63,233	76,509
Interest and finance charges paid/payable on lease liabilities	133,675	180,557
Finance costs expensed	196,908	257,066
<i>Leases</i>		
Rent concessions as direct consequence of the COVID-19 pandemic	20,184	47,675
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,694,249	1,564,440
<i>Share-based payments expense</i>		
Share-based payments expense (note 41)	33,638	107,340
<i>Write off/(Write back) of assets</i>		
Inventories	20,124	7,035
Bad and doubtful debts	(7,750)	22,500



Note 8. Income tax

	30 June 2021 \$	30 June 2020 \$
<i>Income tax expense</i>		
Current tax	477,430	1,453,099
Deferred tax	184,019	217,146
Adjustment recognised for prior periods	(114,511)	-
	<u>546,938</u>	<u>1,670,245</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>1,335,721</u>	<u>4,160,673</u>
Tax at the statutory tax rate of 30%	400,716	1,248,202
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	10,091	32,202
Reduction in tax value upon subsidiaries joining the tax consolidated group	-	424,488
Other non-allowable items	378,795	4,585
Share of net profits of associates	(128,153)	(24,232)
Other non-assessable items	-	(15,000)
	<u>661,449</u>	<u>1,670,245</u>
Adjustment recognised for prior periods	(114,511)	-
Income tax expense	<u>546,938</u>	<u>1,670,245</u>
	30 June 2021 \$	30 June 2020 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>17,677,262</u>	-
Potential tax benefit @ 30%	<u>5,303,179</u>	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed.



Note 8. Income tax (continued)

	30 June 2021 \$	30 June 2020 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses carried forward	512,657	443,429
Employee benefits	731,037	552,661
Provisions	10,565	87,639
Accrued expenses	64,436	9,744
Trade receivables	12,269	148,292
Property, plant and equipment	(473,630)	(248,478)
Inventories	6,966	7,317
Prepayments	(1,230)	-
Deferred transaction costs	104,823	-
Revenue received in advance	-	(63,685)
Deferred tax asset	<u>967,893</u>	<u>936,919</u>
	30 June 2021 \$	30 June 2020 \$
<i>Provision for income tax</i>		
Provision for income tax	<u>2,444</u>	<u>827,079</u>

Accounting policy for 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.

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.

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



Note 8. Income tax (continued)

Tax Consolidation

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

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

Note 9. Cash and cash equivalents

	30 June 2021	30 June 2020
	\$	\$
<i>Current assets</i>		
Cash on hand	1,000	2,000
Cash at bank	1,389,825	2,886,239
Cash on deposit	-	51,240
	<u>1,390,825</u>	<u>2,939,479</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,390,825	2,939,479
Bank overdraft (note 20)	-	(257,634)
	<u>1,390,825</u>	<u>2,681,845</u>

Accounting policy for 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.

Note 10. Trade and other receivables

	30 June 2021	30 June 2020
	\$	\$
<i>Current assets</i>		
Receivables from contracts with customers	14,300,152	9,337,448
Less: Allowance for expected credit losses	(40,979)	(494,307)
	<u>14,259,173</u>	<u>8,843,141</u>
Other receivables	6,615	468,810
	<u>14,265,788</u>	<u>9,311,951</u>

Allowance for expected credit losses

The consolidated entity has recognised a gain of \$7,750 (2020: loss \$22,500) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.



Note 10. Trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	%	%	\$	\$	\$	\$
Not overdue	0.03%	0.48%	9,254,238	8,643,811	2,776	41,490
1 month overdue	0.09%	0.56%	4,742,204	505,691	4,268	2,832
2 months overdue	0.97%	1.51%	193,393	201,821	1,876	3,047
3 months overdue	3.60%	14.53%	65,293	9,357	2,351	1,360
4 to 6 months overdue	57.53%	30.20%	51,639	-	29,708	-
over 6 months overdue	100.00%	100.00%	-	445,578	-	445,578
			<u>14,306,767</u>	<u>9,806,258</u>	<u>40,979</u>	<u>494,307</u>

Movements in the allowance for expected credit losses are as follows:

	30 June 2021	30 June 2020
	\$	\$
Opening balance	494,307	471,807
Additional provisions recognised	-	22,500
Receivables written off during the year as uncollectable	(445,578)	-
Unused amounts reversed	(7,750)	-
Closing balance	<u>40,979</u>	<u>494,307</u>

The consolidated entity has increased its monitoring of debt recovery and client risk during the year. Improved client mix has allowed a reduction in expected credit loss rates and an overall reduction in the allowance with expected losses. This reduction is consistent with the actual credit loss experience with no customer balances over the last two years being written off or credit-impaired.

Accounting policy for 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.



Note 11. Contract assets

	30 June 2021 \$	30 June 2020 \$
<i>Current assets</i>		
Contract assets	<u>6,816,903</u>	<u>1,891,989</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,891,989	2,027,215
Additions	6,650,422	1,802,024
Cumulative catch-up adjustments	166,481	89,965
Transfer to trade receivables	<u>(1,891,989)</u>	<u>(2,027,215)</u>
Closing balance	<u>6,816,903</u>	<u>1,891,989</u>

The consolidated entity has an unconditional right to consideration upon meeting specific contractual obligations as part of various contracts within an original expected duration of one year or less.

Accounting policy for 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.

Note 12. Inventories

	30 June 2021 \$	30 June 2020 \$
<i>Current assets</i>		
Raw materials	<u>631,587</u>	<u>445,598</u>
Stock on hand	1,046,527	1,090,663
Less: Provision for impairment	<u>(23,221)</u>	<u>(24,391)</u>
	<u>1,023,306</u>	<u>1,066,272</u>
	<u>1,654,893</u>	<u>1,511,870</u>

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average costs' basis. Cost comprises of direct materials and delivery costs, direct labour, and import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates, and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



Note 13. Right-of-use assets

	30 June 2021 \$	30 June 2020 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,071,072	3,664,642
Less: Accumulated depreciation	<u>(691,608)</u>	<u>(892,757)</u>
	<u>1,379,464</u>	<u>2,771,885</u>

Additions to the right-of-use assets during the year were \$781,086.

The consolidated entity leases land and buildings for its offices and warehouses under agreements of between 2 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Accounting policy for 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 period 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.

Note 14. Other assets

	30 June 2021 \$	30 June 2020 \$
<i>Current assets</i>		
Prepayments	800,876	300,472
Security deposits	25,490	74,589
GST receivable	<u>662,135</u>	<u>-</u>
	<u>1,488,501</u>	<u>375,061</u>
<i>Non-current assets</i>		
Security deposits	<u>71,540</u>	<u>216,567</u>
	<u>1,560,041</u>	<u>591,628</u>

Note 15. Investments accounted for using the equity method

	30 June 2021 \$	30 June 2020 \$
<i>Non-current assets</i>		
Investment in associate	<u>1,215,950</u>	<u>788,774</u>



Note 15. Investments accounted for using the equity method (continued)

Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
ATI Australia Pty Ltd	Australia	40%	40%

* The consolidated entity acquired a 40% equity interest in ATI Australia Pty Ltd in February 2020.

ATI Australia Pty Ltd (ATI) is an engineering-led business that designs, constructs and supports enterprise-level, wireless telecommunication systems. The business holds a carrier license and provides systems integration services and solar and battery power systems for telecommunication. The Company's investment in ATI is driven by the trend towards increasing digitisation of electrical infrastructure and the recognition that data communication is a vital component of this trend.

The following table summarises the financial information of ATI Australia Pty Ltd and its subsidiaries as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the consolidated entity's interest in ATI. The information for 2020 presented in the table includes the results after the initial acquisition of the 40% interest in ATI i.e. 1 March 2020 to 30 June 2020.



Note 15. Investments accounted for using the equity method (continued)

Summarised financial information

	ATI Australia Pty Ltd	
	30 June 2021	30 June 2020
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	6,136,164	6,287,917
Non-current assets	1,842,675	2,364,065
Total assets	7,978,839	8,651,982
Current liabilities	2,863,984	3,960,049
Non-current liabilities	2,074,982	2,719,998
Total liabilities	4,938,966	6,680,047
Net assets	3,039,873	1,971,935
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	9,592,259	4,813,627
Expenses	(8,275,260)	(4,608,103)
Profit before income tax	1,316,999	205,524
Income tax expense	(249,060)	(3,590)
Profit after income tax	1,067,939	201,934
Other comprehensive income	-	-
Total comprehensive income	1,067,939	201,934
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	788,774	-
Equity investment addition	-	708,000
Share of profit after income tax	427,176	80,774
Closing carrying amount	1,215,950	788,774

Accounting policy for associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.



Note 16. Property, plant and equipment

	30 June 2021	30 June 2020
	\$	\$
<i>Non-current assets</i>		
Land and buildings - at cost	8,598,828	-
Less: Accumulated depreciation	(584,325)	-
	<u>8,014,503</u>	<u>-</u>
Leasehold improvements - at cost	190,928	1,772,492
Less: Accumulated depreciation	(98,814)	(826,746)
	<u>92,114</u>	<u>945,746</u>
Plant and equipment - at cost	5,818,848	4,455,603
Less: Accumulated depreciation	(3,225,198)	(2,427,097)
	<u>2,593,650</u>	<u>2,028,506</u>
Motor vehicles - at cost	1,163,778	1,051,530
Less: Accumulated depreciation	(479,147)	(377,137)
	<u>684,631</u>	<u>674,393</u>
Laboratory test equipment - at valuation	202,110	742,471
Less: Accumulated depreciation	-	(190,817)
	<u>202,110</u>	<u>551,654</u>
Capital Work in Progress	<u>184,618</u>	<u>-</u>
	<u><u>11,771,626</u></u>	<u><u>4,200,299</u></u>

Reconciliations

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

	Land and Buildings \$	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Laboratory test equipment \$	Capital Work in Progress \$	Total \$
Balance at 1 July 2019	-	1,048,348	1,899,357	485,159	658,012	105,625	4,196,501
Additions	-	29,943	486,089	450,894	-	59,382	1,026,308
Disposals	-	-	(11,924)	(64,020)	-	-	(75,944)
Transfers in/(out)	-	-	165,007	-	-	(165,007)	-
Depreciation expense	-	(132,545)	(510,022)	(197,640)	(106,359)	-	(946,566)
Balance at 30 June 2020	-	945,746	2,028,507	674,393	551,653	-	4,200,299
Additions	7,497,044	36,802	1,054,027	310,961	3,672	184,618	9,087,124
Additions through business combinations (note 33)	-	-	629	-	-	-	629
Disposals	-	(2,005)	(838)	(68,892)	(321)	-	(72,056)
Revaluation decrements	-	-	-	-	(276,045)	-	(276,045)
Transfers in/(out)	521,936	(611,439)	89,503	-	-	-	-
Depreciation expense	(4,477)	(276,990)	(578,178)	(231,831)	(76,849)	-	(1,168,325)
Balance at 30 June 2021	<u>8,014,503</u>	<u>92,114</u>	<u>2,593,650</u>	<u>684,631</u>	<u>202,110</u>	<u>184,618</u>	<u>11,771,626</u>

Accounting policy for property, plant and equipment

Property, 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.



Note 16. Property, plant and equipment (continued)

Laboratory test equipment is shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

Buildings	30 years
Laboratory test equipment	10 years
Plant and equipment	3-20 years
Motor vehicles	5-10 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. The remaining lease terms range between 2 and 3 years.

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.

During the current year, the consolidated entity received \$349,789 in relation to the Manufacturing Modernisation Fund grant scheme. Government grants relating to assets are deducted from the carrying amount of those assets.

Note 17. Intangibles

	30 June 2021	30 June 2020
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	<u>517,913</u>	<u>517,913</u>

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 3 year projection period approved by management and extrapolated for a further 2 years using a steady rate, together with a terminal value.

For the purpose of impairment testing, \$307,337 of goodwill relates to STE Solutions Pty Ltd and \$210,576 to Walker Control Pty Ltd and they are separate cash-generating units. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for both companies:

- 17.4% (2020: 18%) pre-tax discount rate;
- 2.0% (2020: 2.0%) per annum EBITDA and terminal value growth rate.

The discount rate of 17.4% pre-tax reflects management's estimate of the time value of money and each entity weighted average cost of capital and the risk free rate. Management believes the projected 2.0% revenue growth rate is prudent and justified, based on the general slowing in the market.



Note 17. Intangibles (continued)

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 18. Trade and other payables

	30 June 2021	30 June 2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	8,341,549	1,806,647
Sundry creditors and accruals	1,249,360	971,218
	<u>9,590,909</u>	<u>2,777,865</u>

Refer to note 26 for further information on financial instruments.

Accounting policy for 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.

Note 19. Contract liabilities

	30 June 2021	30 June 2020
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>3,492,231</u>	<u>2,537,470</u>

Reconciliation

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

Opening balance	2,537,470	7,326,246
Payments received in advance	3,416,635	2,370,812
Cumulative catch-up adjustments	75,596	166,658
Transfer to revenue - included in the opening balance	<u>(2,537,470)</u>	<u>(7,326,246)</u>
Closing balance	<u>3,492,231</u>	<u>2,537,470</u>

Unsatisfied performance obligations are part of various contracts with an original expected duration of one year or less.



Note 19. Contract liabilities (continued)

Accounting policy for 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.

Note 20. Borrowings

	30 June 2021 \$	30 June 2020 \$
<i>Current liabilities</i>		
Bank overdraft	-	257,634
Equipment finance loans	448,334	340,247
	<u>448,334</u>	<u>597,881</u>
<i>Non-current liabilities</i>		
Bank loans	5,197,500	-
Equipment finance loans	767,466	583,716
	<u>5,964,966</u>	<u>583,716</u>
	<u><u>6,413,300</u></u>	<u><u>1,181,597</u></u>

Refer to note 26 for further information on financial instruments.

Total secured liabilities

The total secured liabilities are as follows:

	30 June 2021 \$	30 June 2020 \$
Bank overdraft	-	257,634
Equipment finance loans	1,215,800	923,963
Bank loan	5,197,500	-
	<u>6,413,300</u>	<u>1,181,597</u>

Assets pledged as security

The bank overdraft and equipment finance loans are secured by a first-ranking general security interest over the consolidated entity's property.



Note 20. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	30 June 2021 \$	30 June 2020 \$
Total facilities		
Bank overdraft	2,000,000	1,450,000
Bank loans	5,197,500	-
Bank guarantees	12,057,724	5,050,000
Equipment finance	3,353,074	1,710,000
	<u>22,608,298</u>	<u>8,210,000</u>
Used at the reporting date		
Bank overdraft	-	257,634
Bank loans	5,197,500	-
Bank guarantees	9,393,706	3,936,969
Equipment finance	1,215,800	923,963
	<u>15,807,006</u>	<u>5,118,566</u>
Unused at the reporting date		
Bank overdraft	2,000,000	1,192,366
Bank loans	-	-
Bank guarantees	2,664,018	1,113,031
Equipment finance	2,137,274	786,037
	<u>6,801,292</u>	<u>3,091,434</u>

Bank overdraft is repayable on demand.

The bank loan is a 3-year variable interest-only loan secured by the first registered mortgage over the property located at 3 Gidgie Court, Edinburgh, South Australia and is repayable on 23 June 2024.

In the course of providing goods and services to its customers, the group provides performance and latent defect bank guarantees to third parties. The consolidated entity has not had any claims against bank guarantees in the current or prior year up to the signing date of this financial report. The potential exposure is treated as a contingent liability.

Equipment finance loans have loan repayments periods between 2 and 5 years with fixed interest rates established at the commencement of the term.

At 30 June 2021, the corporate entity has an unlimited interlocking corporate Guarantee and Indemnity between its Australian members of the consolidated group.

Accounting policy for 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.



Note 21. Lease liabilities

	30 June 2021 \$	30 June 2020 \$
<i>Current liabilities</i>		
Lease liability	684,756	867,471
<i>Non-current liabilities</i>		
Lease liability	771,368	1,994,108
	<u>1,456,124</u>	<u>2,861,579</u>

Accounting policy for 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.

Note 22. Provisions

	30 June 2021 \$	30 June 2020 \$
<i>Current liabilities</i>		
Employee benefits	2,279,198	1,394,668
Warranties	231,368	153,582
	<u>2,510,566</u>	<u>1,548,250</u>
<i>Non-current liabilities</i>		
Employee benefits	157,591	447,534
	<u>2,668,157</u>	<u>1,995,784</u>

The aggregate employee benefits liability is \$2,436,789 (2020: \$1,842,2020)

Warranties

The provision represents the estimated warranty claims in respect of sales of products and services which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts. It is expected that the majority of this expenditure will be incurred in the next annual reporting period, and all will be incurred within two years of the reporting date.



Note 22. Provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Warranty provisions \$
30 June 2021	
Carrying amount at the start of the year	153,582
Additions through business combinations (note 33)	196,153
Amounts used	(34,719)
Unused amounts reversed	(83,648)
	<hr/>
Carrying amount at the end of the year	<u><u>231,368</u></u>

Accounting policy for 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.

Accounting policy for 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 high quality 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.



Note 23. Issued capital

	June 2021 Shares	June 2021 \$	June 2020 Shares	June 2020 \$
Ordinary shares - fully paid	10,790	2,297,000	10,790	2,297,000
Ordinary shares - partly paid	700	89,520	700	89,520
Issued capital of Mayfield	11,490	2,386,520	11,490	2,386,520
Exchange of Mayfield's shares for the Company's shares	(11,490)	-	(11,490)	-
Ordinary Shares of the Company	1,525,236,020	-	1,525,236,020	-
Share consolidation	(1,513,033,811)	-	-	-
Shares issued before acquisition date (a)	3,333,333	-	-	-
Cost of combination for acquisition by Mayfield (b)	-	4,407,810	-	-
Company shares issued to Mayfield vendors on acquisition (d)	69,206,591	-	-	-
Shares issued for acquisition of minority interest in Walker Control Pty Ltd (c)	623,750	299,400	-	-
	<u>85,365,883</u>	<u>7,093,730</u>	<u>1,525,236,020</u>	<u>2,386,520</u>

(a) The Company issued 3,333,333 shares through a public offering on 20 November 2020, raising \$1,151,842 (net of transaction costs) before completing the reverse acquisition with Mayfield.

(b) On 20 November 2020, issue of shares to the shareholders of the Company at the capital raising share price of \$0.36 as consideration for the acquisition by Mayfield. No funds were raised as the consideration for the Shares was the transfer of shares in Mayfield.

(c) On 27 January 2021, the Company issued 623,750 shares at \$0.48 per share, representing 60% of the consideration to purchase the remaining 35% minority interest in Walker Control Pty Ltd. The Company will issue the remaining 415,833 shares over the next 7 months upon satisfactory completion of various business outcomes.

(d) The \$25,000,189 attributable to the issue of 69,206,591 shares to the Mayfield vendors disclosed in the 31 December 2020 interim financial statements has been reversed against the restructure reserve. The amount is not considered to be a consideration for the acquisition of the Company.

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.

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 in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.



Note 23. Issued capital (continued)

Accounting policy for 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.

Note 24. Reserves

	30 June 2021 \$	30 June 2020 \$
Revaluation surplus reserve	126,677	460,000
Foreign currency reserve	(5,515)	-
Share-based payments reserve	763,737	730,099
Restructure reserve	(1,004,087)	(713,769)
	<u>(119,188)</u>	<u>476,330</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of the laboratory test equipment.

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 reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Restructure reserve

During the current year, an adjustment to the restructure reserve was recognised following the purchase of the remaining minority interest in Walker Control. Refer to Note 1 Business combinations - Combinations between entities under common control.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation surplus reserve \$	Restructure reserve \$	Share-based payment reserve \$	Foreign currency reserve \$	Total \$
Balance at 1 July 2019	460,000	(733,663)	-	-	(273,663)
Adjustment due to the full acquisition of minority interest in Power Parameters Pty Ltd	-	19,894	-	-	19,894
Adjustment for prior period misstatement (note 3)	-	-	730,099	-	730,099
Balance at 30 June 2020	460,000	(713,769)	730,099	-	476,330
Deferred tax	(57,278)	-	-	-	(57,278)
Foreign currency translation	-	-	-	(5,515)	(5,515)
Share-based payment adjustment	-	-	33,638	-	33,638
Adjustment for the acquisition of minority interest in Walker Control Pty Ltd	-	(290,318)	-	-	(290,318)
Revaluation - gross	(276,045)	-	-	-	(276,045)
Balance at 30 June 2021	<u>126,677</u>	<u>(1,004,087)</u>	<u>763,737</u>	<u>(5,515)</u>	<u>(119,188)</u>



Note 25. Dividends

Dividends

Dividends paid during the financial year were as follows:

	30 June 2021	30 June 2020
	\$	\$
Final dividend for the year ended 30 June 2020 (2019: 30 June 2019) of nil cents (2019: 52.22 cents) per ordinary share	-	600,000
Interim dividend for the year ended 30 June 2020 (2019: 30 June 2019) of nil cents (2019: 12.51 cents) per ordinary share	-	140,100
Interim dividend for the year ended 30 June 2021 (2020: 30 June 2020) of nil cents (2020: 28.63 cents) per ordinary share	-	328,959
	<u>-</u>	<u>1,069,059</u>

Dividends paid in the prior year were based on shares held by the shareholders of Mayfield.

During the current year, Walker Control Pty Ltd paid a dividend of \$75,000, of which \$26,250 was paid to the minority interest owner and the remainder being eliminated on consolidation.

Franking credits

	30 June 2021	30 June 2020
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>3,272,539</u>	<u>1,617,703</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 26. 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 seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

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 and evaluates financial risks within the consolidated entity's operating units and reports to the Board on a regular basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.



Note 26. Financial instruments (continued)

To protect against exchange rate movements, the consolidated entity's policy is to enter into foreign exchange contracts for all exposures greater than \$100,000. The consolidated entity does not have a material foreign currency exposure at the reporting date, and there were no outstanding forward exchange contracts.

The consolidated entity did not maintain any derivative instruments at the end of the current or prior financial years.

Price risk

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

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	30 June 2021		30 June 2020	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Bank overdraft	-	-	5.81%	257,634
Bank loans	2.68%	5,197,500	-	-
Net exposure to cash flow interest rate risk		<u>5,197,500</u>		<u>257,634</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the consolidated entity the bank loans outstanding, totalling \$5,197,500 (2020: \$257,634), are interest-only loans. Monthly cash outlays of approximately \$11,586 (2020: \$1,247) per month are required to service the interest payments. An official increase/decrease in interest rates of 2.0% (2020: 2.0%) basis points would have an adverse/favourable effect on profit before tax of \$103,950 (2020: \$5,153) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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 consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. 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.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience and historical collection rates.

The consolidated entity limits its exposure to credit risk from trade receivables and contract assets by establishing a maximum payment period of one to two months. The group has increased its monitoring of debt recovery and improved its client mix. This has allowed for a reduction in expected credit losses and none of the customers' balances has been written or is credit-impaired at the reporting date.

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.

Credit risk related to balances with banks and other financial institutions is held with counterparties with a Standard and Poor's rating of at least a BBB rating.



Note 26. Financial instruments (continued)

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.

30 June 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	8,341,549	-	-	-	8,341,549
Other payables	-	1,249,360	-	-	-	1,249,360
<i>Interest-bearing - variable</i>						
Bank loans	2.68%	139,033	139,033	5,333,830	-	5,611,896
<i>Interest-bearing - fixed rate</i>						
Equipment finance loans	3.36%	687,187	570,153	566,782	-	1,824,122
Lease liability	3.89%	729,814	640,003	152,566	-	1,522,383
Total non-derivatives		11,146,943	1,349,189	6,053,178	-	18,549,310
30 June 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,806,647	-	-	-	1,806,647
Other payables	-	971,218	-	-	-	971,218
<i>Interest-bearing - variable</i>						
Bank overdraft	5.81%	257,634	-	-	-	257,634
<i>Interest-bearing - fixed rate</i>						
Equipment finance loans	4.35%	373,554	347,057	263,165	-	983,776
Lease liability	5.00%	984,453	902,459	1,223,946	-	3,110,858
Total non-derivatives		4,393,506	1,249,516	1,487,111	-	7,130,133

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.



Note 27. Fair value measurement

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2021				
<i>Assets</i>				
Laboratory test equipment	-	-	202,110	202,110
Total assets	-	-	202,110	202,110
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2020				
<i>Assets</i>				
Laboratory test equipment	-	-	551,654	551,654
Total assets	-	-	551,654	551,654

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

The basis of the valuation of laboratory test equipment (NATA test equipment) is fair value. The NATA test equipment was last revalued on 30 June 2021 based on independent assessments by an Associate Member and a Certified Practising Valuer of Plant and Machinery of the Australian Property Institute having experience in the equipment being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar equipment in the same condition.

Accounting policy for 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 is significant to the fair value measurement.

Note 28. Key management personnel disclosures

The directors and compensation for key management personnel represent the continuation of Mayfield's financial statements up to 26 November 2020 (the acquisition date), and the Company thereafter.



Note 28. Key management personnel disclosures (continued)

Directors

The following persons were directors during the financial year:

L Case	SM Chase
L J Phillips	A B Steele
J B Hobbs	

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

J B Hobbs - Group Chief Executive Officer

Compensation

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

	30 June 2021	30 June 2020
	\$	\$
Short-term employee benefits	479,994	468,371
Post-employment benefits	25,814	40,487
Share-based payments	2,389	-
Other payments	57,521	-
	<u>565,718</u>	<u>508,858</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company:

	30 June 2021	30 June 2020
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	<u>149,500</u>	<u>87,890</u>
<i>Other services - Pitcher Partners</i>		
Preparation of financial statements	-	12,000
Preparation of tax returns	9,900	6,500
Taxation compliance services	7,000	11,075
General tax consulting	23,020	11,783
Other assurance services	-	2,500
General consulting services	<u>-</u>	<u>1,730</u>
	<u>39,920</u>	<u>45,588</u>
	<u>189,420</u>	<u>133,478</u>

Note 30. Contingent liabilities

The group provides performance and latent defect bank guarantees to third parties. The outstanding bank guarantees as at 30 June 2021 were \$9,393,706 (30 June 2020: \$3,936,969). These bank guarantees have varying expiry dates from July 2021 to July 2029. The group has not had any claims against bank guarantees given up to the signing date of this financial report.



Note 31. Related party transactions

Parent entity

Mayfield Group Holdings Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Associates

Interests in associates are set out in note 15.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	30 June 2021	30 June 2020
	\$	\$
Sale of goods and services:		
Sale of services to associate	251,369	-
Payment for other expenses:		
Other expenses paid to other related party*	532,981	560,969
Other transactions:		
Purchase of property from other related party*	7,425,000	-

* The consolidated entity leased two premises, in Queensland and South Australia, from entities that were jointly controlled by two Company Directors, AB Steele and LJ Phillips. In February 2021, the consolidated entity cancelled the lease for the Queensland property, and in May 2021 purchased the property in South Australia. The purchase of the South Australian property was approved by shareholders at a General Meeting held on 18 May 2021.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2021	30 June 2020
	\$	\$
Current receivables:		
Trade receivables from associate	274,664	-

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.



Note 32. Parent entity information

As at 30 June 2021, the legal parent entity of the group is Mayfield Group Holdings Limited (the Company). Mayfield acquired the Company on 20 November 2020 through a reverse acquisition. Set out below is the supplementary information about the legal parent entity, which includes the results for the period 20 November 2020 to 30 June 2021. For the prior period, the legal parent entity was Mayfield Group Investments Pty Ltd.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2021	30 June 2020
	\$	\$
		Restated
Profit/(loss) after income tax	(886,454)	1,172,013
Total comprehensive income	(886,454)	1,172,013

Statement of financial position

	Parent	
	30 June 2021	30 June 2020
	\$	\$
Total current assets	4,589,328	1,326,157
Total assets	10,870,732	7,992,024
Total current liabilities	1,511,496	3,489,012
Total liabilities	1,514,835	3,489,012
Equity		
Issued capital	5,237,113	2,386,520
Reserves	5,671,696	730,099
Retained profits/(accumulated losses)	(1,552,912)	1,386,393
Total equity	9,355,897	4,503,012

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

During the current year, the parent entity and its Australian subsidiaries entered into 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 for property, plant and equipment 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 consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates 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.



Note 33. Reverse Acquisition

The Mayfield Group Holdings Limited (formerly Stream Group Limited) (the Company) acquired Mayfield Group Investments Pty Ltd and its subsidiaries (Mayfield) on 20 November 2020.

At the time of the acquisition, the Company had divested all its operations, apart from Qusol NZ Limited and Qusol Technology Limited (the Qusol business), both incorporated in New Zealand. Other than the Qusol business, the Company was limited to managing its cash balances, filing obligations (i.e. a listed shell), and completion of the acquisition. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs.

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Mayfield is the accounting acquirer, and the Company is the legal acquirer. The financial statements are the continuation of the financial statements of Mayfield, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of the Company. This deemed issue of shares is treated as an equity settled share-based payment transaction whereby Mayfield has received the net assets of Stream, together with the listing status of Stream. Accordingly, the transaction is accounted for in accordance with AASB 2 – Share Based Payments.

The acquisition allows Mayfield greater access to liquid funds and unlocks cash to provide organic opportunities and acquisition potential.

Under the reverse acquisition principles, the consideration provided by Mayfield was determined to be \$4,407,810 which is the deemed fair value of the 12,202,209 shares owned by the former Mayfield Group Holdings Limited shareholders at the completion of the acquisition, valued at the capital raising share price of \$0.36 per share.

The Share Purchase Deed between the parties required the Company to sell Qusol by 28 November 2020 or pay the Mayfield Vendors \$250,000. Trade and other payables include \$250,000 as the Qusol business was not sold by the agreed date. The fair values of the assets and liabilities of the Company (being the accounting acquiree) as at the date of acquisition and the deemed consideration is as follows:

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	3,693,295
Trade and other receivables	144,247
Other current assets	45,628
Plant and equipment	629
Deferred tax asset	176,008
Trade and other payables	(438,537)
Other provisions	(266,490)
Net assets acquired	3,354,780
Goodwill	-
Acquisition-date fair value of asset acquired	<u>3,354,780</u>
Representing:	
Fair value of identifiable net assets acquired	3,354,780
Capital restructure expense	1,053,030
Fair value of deemed consideration	<u>4,407,810</u>



Note 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
Mayfield Industries Pty Ltd	Australia	100.00%	100.00%
Power Parameters Pty Ltd (a)	Australia	100.00%	100.00%
STE Solutions Pty Ltd	Australia	100.00%	100.00%
Walker Control Pty Ltd*	Australia	100.00%	65.00%
Mayfield Engineering Pty Ltd	Australia	100.00%	100.00%
Mayfield Group Investments Pty Ltd	Australia	100.00%	100.00%
Qusol New Zealand Ltd**	New Zealand	100.00%	-
Qusol Technology Ltd**	New Zealand	100.00%	-

* The remaining 35% of Walker Control Pty Ltd was acquired on 1 February 2021.

** Placed into liquidation on 27 July 2021.

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Mayfield Group Holdings Limited (Holding Entity)
 Mayfield Group Investments Pty Ltd
 Mayfield Industries Pty Ltd
 STE Solutions Pty Ltd
 Walker Control Pty Ltd
 Power Parameters Pty Ltd
 Mayfield Engineering Pty Ltd

All entities entered into the deed during the current reporting period and no entities were removed.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Mayfield Group Holdings Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the consolidated entity and therefore have not been separately disclosed.

Note 36. Events after the reporting period

The consolidated entity acquired Qusol NZ Limited and Qusol Technology Limited (the Qusol business), both incorporated in New Zealand, as part of the Company's reverse acquisition. Qusol NZ Limited provides insurance claims management software as a service to the insurance and construction industries, whilst Qusol Technology Limited owns the claims management software.

In March 2021 Qusol's largest customer, which accounted for 90% of its revenues, terminated the supply agreement. The loss of this contract made the Qusol business unviable, and as a result, on 27 July 2021 Qusol NZ Ltd and Qusol Technology Ltd were placed into liquidation. It is not anticipated that the liquidation of these two subsidiaries and the cessation of the Qusol business will have any material effect on either the financial performance or the consolidated entity's financial position.

Apart from the dividend declared as disclosed in note 25, 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.



Note 37. Reconciliation of profit after income tax to net cash used in operating activities

	30 June 2021 \$	30 June 2020 \$
Profit after income tax expense for the year	788,783	2,490,428
Adjustments for:		
Depreciation and amortisation	2,127,791	1,839,323
Net gain on disposal of non-current assets	(77,576)	(5,134)
Share of profit - associates	(427,176)	(80,774)
Foreign exchange differences	(5,515)	-
Capital restructure expense	1,053,030	-
Share-based payments	33,638	107,340
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(4,809,590)	2,469,770
Decrease/(increase) in contract assets	(4,924,914)	135,226
Increase in inventories	(143,023)	(90,290)
Decrease in deferred tax assets	58,022	217,146
Decrease in other assets	(922,785)	(79,541)
Increase/(decrease) in trade and other payables	6,178,885	(3,350,390)
Increase/(decrease) in contract liabilities	954,761	(4,788,775)
Increase/(decrease) in provision for income tax	(824,635)	393,537
Increase in employee benefits	328,097	250,151
Increase in other provisions	77,786	138,116
Net cash used in operating activities	<u>(534,421)</u>	<u>(353,867)</u>

Note 38. Non-cash investing and financing activities

	30 June 2021 \$	30 June 2020 \$
Additions to the right-of-use assets	781,086	-
Shares issued in relation to business combinations	4,407,810	-
Shares issued for acquisition of minority interest in a subsidiary	299,400	356,000
	<u>5,488,296</u>	<u>356,000</u>



Note 39. Changes in liabilities arising from financing activities

	Lease liability \$	Equipment finance \$	Bank loans \$	Total \$
Balance at 1 July 2019	3,664,642	221,507	-	3,886,149
Net cash used in financing activities	(803,063)	(238,216)	-	(1,041,279)
Loans received	-	940,672	-	940,672
Balance at 30 June 2020	2,861,579	923,963	-	3,785,542
Net cash used in financing activities	(909,438)	(774,324)	-	(1,683,762)
Cancellation of leases	(1,293,023)	-	-	(1,293,023)
Loans received	-	1,066,161	5,197,500	6,263,661
Acquisition of leases	781,086	-	-	781,086
Other changes	15,920	-	-	15,920
Balance at 30 June 2021	<u>1,456,124</u>	<u>1,215,800</u>	<u>5,197,500</u>	<u>7,869,424</u>

Note 40. Earnings per share

	30 June 2021 \$	30 June 2020 \$
Profit after income tax	788,783	2,490,428
Non-controlling interest	(24,042)	(64,630)
Profit after income tax attributable to the owners of Mayfield Group Holdings Ltd	<u>764,741</u>	<u>2,425,798</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	78,580,866	69,206,591
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	3,156,595	3,156,595
Ordinary shares for the final settlement of the remaining 40% of Walker Control Pty Ltd (refer note 23(c))	<u>415,833</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>82,153,294</u>	<u>72,363,186</u>
	Cents	Cents
Basic earnings per share	0.97	3.51
Diluted earnings per share	0.93	3.35

Under the principles of reverse acquisition accounting, the weighted average number of shares used in the calculation of basic and diluted earnings/(loss) per share for the comparative period is the number of shares and options issued by the legal parent to acquire the results of the legal subsidiary for that period, even though the issue of the shares did not occur until the time of the reverse acquisition in the current period.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Mayfield Group Holdings Ltd, 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.



Note 40. Earnings per share (continued)

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.

Note 41. Share-based payments

The Company issued 1,059,647 ordinary shares for the paid-up portions, and 3,156,594 options over ordinary shares for the unpaid portions, of the partly paid shares held by Mayfield employees upon acquisition. The options have an exercise price of \$0.36124 and expire in five years from the issue date on 23 November 2020, or upon the employee's termination. The options can be exercised immediately.

This change is considered a continuation of the share-based payment for the partly-paid shares issued to Mayfield employees and resulted in an incremental fair value adjustment of \$33,638 at the acquisition date. As the partly-paid shares have already vested and the options contain no further vesting conditions, the amount was expensed.

	Fair Value \$
<i>The incremental fair value adjustment has been derived as follows:</i>	
Options issued by the Company	578,788
Shares issued by the Company for the paid-up capital of the partly-paid shares	382,784
	<u>961,572</u>
Partly-paid shares issued by Mayfield	(838,411)
Paid-up capital for the partly-paid shares	<u>(89,523)</u>
Incremental fair value	<u><u>33,638</u></u>

Set out below are summaries of options granted under the plan:

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/11/2020	23/11/2025	\$0.36124	-	3,156,594	-	-	3,156,594
			-	3,156,594	-	-	3,156,594

Set out below are summaries of partly-paid shares issued:

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
06/11/2018	06/11/2023	\$1,735	300	-	-	-	300
03/05/2019	03/05/2024	\$1,735	300	-	-	-	300
12/08/2019	12/08/2024	\$1,888	-	100	-	-	100
			600	100	-	-	700



Note 41. Share-based payments (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/11/2020	23/11/2025	\$0.36	\$0.36124	79.00%	2.70%	0.30%	\$0.1834

* The share price of \$0.36 per share per the prospectus issued on 14 October 2020 has been used as the share price at the grant date.

Immediately prior to the issue of the options there were 700 partly-paid shares issued at a weighted average price of \$1,198 per share. The valuation model used to determine the fair value used the remaining exercise period of each partly-paid share issued, expected volatility of 79%, a dividend yield of 0%, and a risk-free interest rate of 0.30%.

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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.

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.