Xponential Technologies Ltd and Controlled Entities

ABN: 37 635 810 258

Financial Statements

For the Year Ended 30 June 2021

Xponential Technologies Ltd and Controlled Entities

ABN: 37 635 810 258

Contents

For the Year Ended 30 June 2021

CORPORATE DIRECTORY

Directors Matt Forman – Managing Director Phil Aris – Non-Executive Chairman Tim Ebbeck – Non-Executive Director **Company Secretary** Mark Licciardo Mertons Corporate Services	**Registered Office** Level 2 22 Longland Street Newstead, QLD, 4006 Australia	**Auditors** BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 **Share Registry** Automic Group Level 5, 126 Phillip Street Sydney NSW 2000

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2021.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Phil Aris	Non- Executive Chairman
Qualifications	Bachelor of Economics, Masters of Management
Experience	Phil Aris has over 30 years of strategy, business development, executive, and governance experience across a range of industries including banking, financial services, health and technology. Phil's executive experience includes roles as Managing Director and CEO at Countplus Limited, Chief Executive Officer of Total Finance Solutions Australia, Chief Executive Officer of the Australian Health Export Council and Head of Credit Cards for Commonwealth Bank (ASX.CBA). He is board member and Non-Executive Director of Credit Corp (ASX.CCP) and an Advisory Board member for Lumenary Investment Management.
Interest in shares and options	470,970 shares in the name of Phillip Aris and Associates 194,444 options will vest 30 June 2023
Special responsibilities	Remuneration Committee
Other current directorships in listed entities	Non-Executive Director of Credit Corp (ASX.CCP)
Other directorships in listed entities held in the previous three years	Managing Director and CEO at Countplus Limited
Matt Forman	Founder & Group Managing Director
Qualifications	Advanced Diploma in Business Management
Experience	Matt Forman is a seasoned entrepreneur with over 25 years of experience working with Internet businesses and technologies. He has senior experience in strategy, commercialisation, business development, marketing, and technology across a range of industries including retail, media, telecommunications, agriculture, advertising and technology. Matt is the Founder and Group Managing Director of Xpon with prior experience including Founder and CEO of Maverick Data Group, Founder & CEO of leading digital marketing agency Traffika, Co-Founder & CEO of 3Syle Media and National Manager of FuleWatch. The Group granted Matt 794,444 options on 1 July 2021.
Interest in shares and options	20,887,664 shares in the name of Black Oak Ventures Pty Ltd

Directors' Report

30 June 2021

1. General information

Information on directors

Tim Ebbeck	Non-Executive Director (appointed 26 July 2021)
Qualifications	Bachelor of Economics and Accounting, Graduate member of Australian Institute of Company Directors
Experience	Tim Ebbeck has over 30 years of board, executive, and advisory experience across a breadth of industries including technology, AI, blockchain, media, sport, consulting, energy and finance. Tim's executive experience includes roles as Chief Executive Officer at SAP (ANZ), Chief Executive of Oracle (ANZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officers of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide. His board roles have included being Non-Executive Director for RadyTech Limited (ASX.RDY), Tymlez (ASX.TYM), IXUP Limited (ASX.IXU), CPA Australia, Nextgen Distribution, Trustee of the Museum of Applied Arts& Sciences NSW, and Non-Executive Chairman at Insite Organisation. Tim is a professional company director and advisor to a range of companies in the technology and emerging industries and a former member of the Business Council of Australia
Interest in shares and options	Nil
Special responsibilities	Audit and Risk Management Committee
Other current directorships in listed entities	Non-Executive Director for ReadyTech Limited (ASX.RDY), Tymlez (ASX.TYM) and IXUP Limited (ASX.IXU).
Other directorships in listed entities held in the previous three years	Nil
Leanne Pui Ling Wolski	Director (appointed 30 June 2021 and resigned 21 July 2021)
Qualifications	Bachelor degrees with majors in Accounting and Finance with the Australian Catholic University, Member of the Institute of Chartered Accounants and a Graduate member of the Australian Institute of Company Directors
Experience	Leanne was formerly the CFO for Amaysim (ASX:AYS)

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

Directors' Report

30 June 2021

1. General information

Principal activities

Xponential Technologies Ltd ("Xpon" or the "Company") and its Controlled Entities (the "Group") is a technology Group for the next generation of marketing and customer experience (CX). An era that is richly immersive, powered by data and made intelligent with AI.

The principal activities of the Group during the financial year were the provision of 1) software enabled managed services to help companies manage business critical marketing platforms, adtech, ML / AI and cloud technologies, 2) agile cloud native software solutions with our unique IP that helps corporate & enterprise clients build and modernise customer facing applications and products, and 3) a next-generation data platform for marketers that centralises customer & marketing data, supercharging it with AI for automated activation.

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

2. Operating results and review of operations for the year

Operating results

The consolidated loss of the Group amounted to $ (1,933,046) (2020: $ (1,933,842)).

Review of operations

During the year ended 30 June 2021, the Group acquired 100% of the shares in Internetrix Holdings Pty Ltd in June 2021 and its wholly owned subsidiary Internet Solutions Australia Pty Ltd (Internetrix) on a cash-free debt-free basis for a total consideration of $1,575,950. The acquisition is a strong strategic fit with the Group business model and customer base including blue chip corporate and enterprise clients on recurring revenue contracts.

A review of the operations of the Group during the financial year show reported revenue of $5,439,128, gross profit of $3,199,442 with gross profit margin at 59%.

The Group delivered a strong revenue growth of 217%, gross profit margin growth of 225% year on year.

The Group's cash and cash equivalent as at 30 June 2021 was $1,722,035 (2020: $1,016,514).

Dividends

No dividends have been declared or paid in the 2021 financial year (2020: nil).

Shares Under Option

Unissued ordinary shares of Xponential Technologies Ltd under option at the date of this report are as follows:

Date granted	Expiry date	Issue price	Number under option
30/06/2020	30/06/2023	$0.33	3,225,861

Included in these options were options granted as remuneration to the Directors and the five most highly remunerated officers during the year. Details of options granted to key management personnel and the five most highly remunerated officers are detailed here:

Directors' Report

30 June 2021

2. Operating results and review of operations for the year

Review of operations

Name of officer	Date Granted	Issued price	Options granted
P Aris	30/06/2020	$0.33	194,444
L Wolski	30/06/2020	$0.33	634,194
C Rozic	30/06/2020	$0.33	466,667
S Pereira	30/06/2020	$0.33	500,000
M Daniels	30/06/2020	$0.33	441,667
B Lupton	30/06/2020	$0.33	388,889
M Callon	30/06/2020	$0.33	550,000

No shares were issued during the year ended 30 June 2021 on the exercise of options.

The Group has issued the following options to key management personnel and the five most highly remunerated offices post year-end:

Name of officer	Date Granted	Issued price	Options granted
M Forman	01/07/2021	$0.28	794,444
B Fogarty	30/09/2021	$0.27	984,814

3. Other items

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

1- Capital Raise - issuance of ordinary shares

The Group raised additional capital of $1,866,893 through the issuance of 2,872,143 ordinary shares at $0.65 per share in June 2021 bring the total ordinary shares issued to 45,975,029 at the year ended 30 June 2021.

2 - Acquisition of Internetrix Holdings Pty Ltd

The Group acquired 100% of the shares in Internetrix Holdings Pty Ltd in June 2021 and its wholly owned subsidiary Internet Solutions Australia Pty Ltd (Internetrix) on a cash-free debt-free basis for a total consideration of $1,575,950.

Changes in the controlled entities and divisions:

Aside from the above acquisition, there were no significant changes in the controlled entities and divisions during the year of financial year 2021.

3. Other items

Matters or circumstances arising after the end of the year

Event 1 - Initial public offering ("IPO") and pre-IPO offering

The Group engaged Sequoia Financial Group to act as Lead Manager in relation to its initial public offering ("IPO") and pre-IPO offering ("Pre-IPO") in June 2021. Sequoia led the Pre-IPO round via a $1,110,000 convertible note capital raise completed on 24 August 2021. The notes are convertible (at the option of the holder) into ordinary shares of the Company at the lower of:

- $0.687 per share; and
- The lower price per share that was issued by the Company between the date of issue of the notes and the conversion event.

The notes will automatically convert into ordinary shares immediately prior to the first to occur:

- Completion of a qualifying financing (the entry by the Company into a binding agreement to raise $10,000,000 or more in aggregate through the issue of ordinary or preferred shares in one capital round and which is note an IPO);
- The Company (or its ultimate holding company) lodging a prospectus with ASIC in connection with an IPO and receives conditional approval from the ASX to list its shares on the ASX;
- Completion of an exit event (trade or share sale); or
- The maturity date which is 18 months from the date that the notes were first issued.

Event 2 - Appointment of Mark Andrew Licciardo of Mertons Corporate Services as the Group's Company Secretary effective 26 August 2021.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The Group will continue to undertake its principal activities and will add resource capability during the next financial year focusing to accelerate the organic growth opportunities. The Directors do not anticipate any development in the operations of the Group that will negatively affect the result in subsequent years.

The Directors are not aware of other circumstances or matters that will significantly affect the operations and future results of the Group other than the developments that have been outlined in this report and Operating results and review of operations for the year.

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Directors' Report

30 June 2021

Company secretary

The following person held the position of Company secretary at the end of the financial year:

Leanne Wolski holds bachelor’s degree with majors in Accounting and Finance with the Australian Catholic University, a member of the Institute of Chartered Accountants and is a graduate member of the Australian Institute of Company Directors has been the company secretary since 18 February 2020. Prior to this role, Leanne was formerly the CFO for Amaysim (ASX:AYS).

Meetings of directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Phil Aris	11	11
Matt Forman	11	11
Leanne Pui Ling Wolski	-	-

Non-Audit Services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, BDO Audit Pty Ltd, and its related practices:

Other non-assurance services	2021
	$
Tax compliance services	26,940

Details of the amounts paid or payable to the Company’s auditor and related practices of the auditor for non-audit services provided during the year are set out above. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Directors' Report

30 June 2021

Proceedings on behalf of company

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

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 has been received and can be found on page 8 of the financial report.

Indemnification and insurance of officers and auditors

During or since the end of the financial year, the Company has pair or agreed to pay a premium in respect of a contract of insurance insuring directors, officers and employees of the Company and its subsidiaries against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Under the terms of the executive service agreement with Matt Forman entered into since the end of the financial year, the Company has agreed to indemnify and keep indemnified Mr Forman in respect of loss suffered by him under certain personal guarantees Mr Forman has provided to third parties for the obligations of the Company's subsidiary, Datisan Pty Ltd. The personal guarantees relate to Datisan Pty Ltd's obligations under its credit card facilities and head office lease.

Signed in accordance with a resolution of the Board of Directors:

Director: .... Phil Aris

Director: .... Matt Forman

Dated this ......5th.................. day of ....October......... 2021

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF XPONENTIAL TECHNOLOGIES LTD

As lead auditor of Xponential Technologies Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Xponential Technologies Ltd and the entities it controlled during the period.

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 5 October 2021

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

		CONSOLIDATED	
		2021	**2020**
	Note	**$**	**$**
Revenue from contracts with customers	4	**5,439,128**	1,715,669
Cost of sales		**(2,239,686)**	(731,583)
Gross profit		**3,199,442**	984,086
Other income	4	**249,940**	87,952
IT and Facilities expense		**(223,250)**	(172,671)
Sales and Marketing expenses		**(370,338)**	(216,224)
Employee expenses		**(3,385,289)**	(1,581,866)
Superannuation expense		**(240,851)**	(148,693)
Depreciation and Amortisation		**(363,189)**	(61,485)
Other expenses		**(843,964)**	(792,660)
Finance expenses		**(5,925)**	(68,176)
Loss before income tax		**(1,983,424)**	(1,969,737)
Income tax benefit	5	**50,378**	35,895
Loss for the year		**(1,933,046)**	(1,933,842)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**13,772**	22,207
Other comprehensive income for the year, net of tax		**13,772**	22,207
Total comprehensive loss for the year		**(1,919,274)**	(1,911,635)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	25	**(4.44)**	(6.01)
Diluted earnings per share	25	**(4.44)**	(6.01)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2021

	Note	CONSOLIDATED 2021 $	2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**1,722,035**	1,016,514
Trade and other receivables	8	**3,153,386**	509,641
Current tax receivable	21	**138,805**	33,663
TOTAL CURRENT ASSETS		**5,014,226**	1,559,818
NON-CURRENT ASSETS			
Property, plant and equipment	9	**151,913**	42,293
Deferred tax assets	21	**318,166**	51,192
Intangible assets	10	**4,633,479**	3,243,299
Right-of-use assets	12	**649,314**	372,859
Other assets	11	**54,779**	63,499
TOTAL NON-CURRENT ASSETS		**5,807,651**	3,773,142
TOTAL ASSETS		**10,821,877**	5,332,960
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**4,008,231**	907,197
Borrowings	14	**21,196**	89,509
Lease liabilities	12	**105,733**	49,384
Employee benefits	16	**434,790**	185,145
Contract liabilities	15	**1,203,186**	458,032
TOTAL CURRENT LIABILITIES		**5,773,136**	1,689,267
NON-CURRENT LIABILITIES			
Borrowings	14	**70,849**	-
Deferred tax liabilities	21	**253,042**	148,445
Lease liabilities	12	**570,012**	330,268
Employee benefits	16	**65,586**	12,177
TOTAL NON-CURRENT LIABILITIES		**959,489**	490,890
TOTAL LIABILITIES		**6,732,625**	2,180,157
NET ASSETS		**4,089,252**	3,152,803
EQUITY			
Issued capital	17	**8,060,230**	6,053,889
Reserves		**885,361**	22,207
Accumulated losses		**(4,856,339)**	(2,923,293)
TOTAL EQUITY		**4,089,252**	3,152,803

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2021

2021 (CONSOLIDATED)

	Note	Ordinary Shares $	Accumulated losses $	Foreign Currency Translation Reserve $	General Reserve $	Employee Option Reserve $	Total $
Balance at 1 July 2020		**6,053,889**	**(2,923,293)**	**22,207**	**-**	**-**	**3,152,803**
Loss for the year		**-**	**(1,933,046)**	**-**	**-**	**-**	**(1,933,046)**
Other comprehensive income for the year		**-**	**-**	**13,772**	**-**	**-**	**13,772**
Total comprehensive income/(loss) for the year		**-**	**(1,933,046)**	**13,772**	**-**	**-**	**(1,919,274)**
Transactions with owners in their capacity as owners							
Shares issued during the year	17	**2,006,341**	**-**	**-**	**-**	**-**	**2,006,341**
Share based payment transactions	22	**-**	**-**	**-**	**-**	**358,451**	**358,451**
Deferred consideration on acquisition of subsidiary		**-**	**-**	**-**	**490,931**	**-**	**490,931**
Balance at 30 June 2021		**8,060,230**	**(4,856,339)**	**35,979**	**490,931**	**358,451**	**4,089,252**

2020 (CONSOLIDATED)

	Note	Ordinary Shares $	Accumulated losses $	Foreign Currency Translation Reserve $	General Reserve $	Employee Option Reserve $	Total $
Balance at 1 July 2019		734,680	(989,451)	-	-	-	(254,771)
Loss for the year		-	(1,933,842)	-	-	-	(1,933,842)
Other comprehensive income for the year		-	-	22,207	-	-	22,207
Total comprehensive income/(loss) for the year		-	(1,933,842)	22,207	-	-	(1,911,635)
Transactions with owners in their capacity as owners							
Shares issued during the year	17	5,319,209	-	-	-	-	5,319,209
Balance at 30 June 2020		6,053,889	(2,923,293)	22,207	-	-	3,152,803

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2021

		CONSOLIDATED	
		2021	2020
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		**3,885,689**	2,386,565
Payments to suppliers and employees (inclusive of GST)		**(4,746,708)**	(3,965,952)
Income taxes (paid) /received		**(94,071)**	6,065
Net cash provided by/(used in) operating activities	29	**(955,090)**	(1,573,322)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		**(32,513)**	(36,106)
Purchase of property, plant and equipment		**(5,309)**	(25,195)
Acquisition of subsidiary, net of cash acquired	6	**(7,658)**	41,000
Net cash provided by/(used in) investing activities		**(45,480)**	(20,301)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares	17	**1,866,893**	2,477,466
Proceeds from borrowings		**70,849**	-
Repayment of borrowings		**(68,313)**	(55,448)
Payment of lease liabilities		**(178,485)**	(39,414)
Net cash provided by/(used in) financing activities		**1,690,944**	2,382,604
Effects of exchange rate changes on cash and cash equivalents		**15,147**	2,545
Net increase/(decrease) in cash and cash equivalents held		**705,521**	791,526
Cash and cash equivalents at beginning of year		**1,016,514**	224,988
Cash and cash equivalents at end of financial year	7	**1,722,035**	1,016,514

Notes to the Financial Statements

For the Year Ended 30 June 2021

The financial report covers Xponential Technologies Ltd and Controlled Entities ('the Group'). Xponential Technologies Ltd ('the Parent' or 'the Parent Entity') is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 5 October 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

During the financial year ended 30 June 2021, Xponential Technologies Ltd acquired 100% of the share capital in Internetrix Pty Ltd and its Controlled Entity.

During the financial year ended 30 June 2020 the following group transactions occurred:

- Xponential Technologies Ltd (Xpon) was formed in August 2019

- In November 2019 Xpon established a wholly owned subsidiary, Wondaris Pty Ltd (Wondaris)

- In March 2020, Xpon acquired 100% of the share capital in Maverick Data Group Pty Ltd and its subsidiaries (MDG).

The acquisition of MDG in March 2020 was not within the scope of AASB 3 since common control existed between Xpon and MDG prior to the acquisition. As such, this has been treated as a group restructure and the group has applied the pooling-of-interests' method with the restatement of comparatives from the earliest period presented.

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 26 to the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 relevant activities of the entity.

(b) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

The Group often enters into customer contracts to supply a bundle of products and services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position.

Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

2 Summary of Significant Accounting Policies

(b) Revenue and other income

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Licenses, managed services and project services

Licences typically provide the customer with a right of access to IP and the performance obligation is satisfied over time.

Managed or project services provide clients with design, implementation and support services.

Often the Group also provides a significant service of integrating licenses with managed or project services to deliver a working solution such that, in the context of the actual contract, there is a single performance obligation to provide that solution. The Group has assessed that control of these solutions transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use) and the terms of the contract state that the Group is entitled to a right to payment for the work completed to date.

Revenue for these performance obligations is recognised as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. Costs are generally incurred are considered to be proportionate to the entity's performance, so the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

Where a performance obligation is satisfied over time an appropriate method is selected for measuring progress towards complete satisfaction of the performance obligation. Performance is measured using an input method or an output method as deemed appropriate by management.

The Group also provides managed or project services independent of licenses. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time where the Group is entitled to payment for its performance to date throughout the contract period (including a profit margin that, in percentage terms, is equal to or more than the final expected profit margin).

Revenue for over-time contracts is determined based on the actual labour hours spent relative to the total expected labour hours and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Usage fees and commissions

Revenue is recognised in the amount to which the Group has a right to invoice based on either actual usage or sales. The Group acts as an agent in these transactions and only recognises revenue on a net basis.

2 Summary of Significant Accounting Policies

(b) Revenue and other income

Statement of financial position balances relating to revenue recognition

Contract assets and contract liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or the before payment is due, the Group presents the contract as a contract asset, unless the Group's rights to that amount of consideration are unconditional, in which case the Group recognises a receivable.

When an amount of consideration is received from a customer prior to the Group transferring a good or service to the customer, the Group recognises this as a contract liability.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

Government grants, including Research & Development, are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(c) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(i) Deferred tax assets and liabilities

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.

2 Summary of Significant Accounting Policies

(c) Income Tax

(i) Deferred tax assets and liabilities

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(d) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Depreciation

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

2 Summary of Significant Accounting Policies

(f) Property, plant and equipment

Depreciation

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Computer Equipment	20 - 50%
Furniture, Fixtures and Fittings	20 - 50%
Office Equipment	5 - 20%
Leasehold improvements	2.5%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets
Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach permitted by AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

2 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;

- any non-controlling interest; and

- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 5 years.

2 Summary of Significant Accounting Policies

(i) Intangible assets
Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between three and five years.

Customer contracts

The customer contracts were acquired as part of a business combination (see note 6 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. Customer contracts have an estimated useful life of between three and five years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term highly liquid deposits with a maturity of three months of less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

2 Summary of Significant Accounting Policies

(k) Leases

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of non-financial assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months without an option to extend) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

2 Summary of Significant Accounting Policies

(m) Share based payments

The fair value of options granted under the Groups Employee Option Plan is recognised as a share based payment expense (within employee benefits) with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the group's share price);

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sale growth targets and remaining an employee of the group over a specified time period); and

- including the impact of any non-vesting conditions (e.g. requirements for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(n) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

2 Summary of Significant Accounting Policies

(n) Foreign currency transactions and balances

Group companies

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income. On disposal of a foreign operation, the component of other commprehensive income related to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustment to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(o) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

The Group adopted the amendments to *AASB 3 Business Combinations* which clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered and applied for the business combination entered into by the Group during the financial year. Refer to Note 6 for the details of business combination.

(p) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Group.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgments

Key estimates - Goodwill

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

• growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;

• timing and quantum of future capital expenditure;

• long-term growth rates; and

• the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 10 to the consolidated financial statements.

Key judgments - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

Different jurisdictions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 Critical Accounting Estimates and Judgments

Key judgement - COVID-19

There has not been a significant impact of COVID-19 on the Australia operations of the business. The United Kingdom has seen some deferring of expenditure by clients in FY20, with a general pick-up in sales orders in FY21.

Key judgments - Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the financial year ended 30 June 2021 the Group generated total revenue and other income of $5,689,068 (PY: $1,803,621), reported a consolidated loss after tax of $1,933,046 (PY: consolidated loss of $1,933,842) and reported operating cash outflows of $955,090 (PY: $1,573,322 operating cash outflow). As at 30 June 2021 the Group has cash and cash equivalents of $1,722,035 (PY: $1,016,514), and net assets of $4,089,252 (PY: $3,152,803).

As the Group is currently loss making and incurring operating cash outflows, the Group’s ability to continue to adopt the going concern assumption will depend upon a number of matters including successful capital raisings in the future of necessary funding and the continuous increase in sales and/or commercialisation of the Group’s intellectual property.

The Directors have concluded as a result of the requirement to raise funds in the future there exists a material uncertainty that may cast significant doubt regarding the Group's ability to continue as a going concern and therefore, the Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors have a reasonable expectation that the Group will have adequate resources to fund its operational requirements, based on the following factors:

- The net asset and cash and cash equivalents reserves at 30 June 2021 indicate immediate obligations can be satisfied as required;
- Recent history of capital raisings, including a June 2021 capital raising of $1,866,893 before costs;
- Post year-end (24 August 2021) capital raising of $1,110,000 convertible notes before costs; and
- The continued progress made in exploiting the Group’s intellectual property to drive increased sales growth.

Based on the above, the Directors continue to adopt the going concern basis in preparing the financial report.

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

4 Revenue from contracts with customers and Other Income

Revenue from contracts with customers

	2021 $	2020 $
- Licences	**2,113,851**	574,210
- Managed Services	**2,533,360**	654,546
- Project Services	**489,394**	485,538
Total Revenue from licences, managed services and project services	**5,136,605**	1,714,294
- Usage Fees	**302,523**	-
- Commission Reseller	**-**	1,375
Total Revenue from usage fees and commissions	**302,523**	1,375
Total Revenue from contracts with customers	**5,439,128**	1,715,669

	2021 $	2020 $
Other Income		
- R&D refund	**113,507**	-
- Other income	**136,433**	87,952
Total Other Income	**249,940**	87,952

5 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2021 $	2020 $
Current tax expense		
Current Tax	**101,993**	-
Deferred Tax	**(152,371)**	(35,895)
Income tax benefit	**(50,378)**	(35,895)

Notes to the Financial Statements

For the Year Ended 30 June 2021

5 Income Tax Expense

(b) Reconciliation of income tax to accounting profit:

	2021	2020
	$	$
Loss before tax	**(1,983,424)**	(1,969,737)
Tax rate	**26.00 %**	27.50 %
	(515,690)	(541,678)
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	**27,214**	-
- share options expensed during year	**93,197**	-
- non-deductible expenses	**49,072**	4,297
	(346,207)	(537,381)
Less:		
Tax effect of:		
- cash booster	**13,000**	13,000
- Impact of change in tax rate	**3,356**	(635)
- unrecognised losses	**(473,144)**	(511,971)
- previously unrecognised tax losses recouped to reduce current tax	**184,302**	12,780
- differences in overseas tax rates	**(23,343)**	(14,660)
Income tax attributable to parent entity	**(50,378)**	(35,895)
Income tax benefit	**(50,378)**	(35,895)

Notes to the Financial Statements

For the Year Ended 30 June 2021

6 Business Combinations

On 05 June 2021, the parent Company acquired a 100% interest of Internetrix Pty Ltd and Controlled Entities and resulted in the parent company obtaining control of Internetrix Pty Ltd and Controlled Entities. This acquisition is expected to increase the Group's share of this market and reduce costs through economies of scale.

The following table shows the provisionally determined assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value $
Purchase consideration:	
- Deferred Cash Consideration*	378,228
- Cash paid	567,342
- Equity issued	139,449
- Deferred Equity issuance**	490,931
Total purchase consideration	1,575,950
Assets or liabilities acquired:	
Cash	575,000
Trade and other receivables	172,719
Deferred tax assets	137,466
Plant and equipment	119,123
Intangibles - other	1,006
Intangibles - customer contracts	384,000
Provisions	(128,170)
Trade and other payables	(415,626)
Other liabilities	(302,635)
Deferred tax liabilities	(127,903)
Total fair value of net identifiable assets	414,980
Identifiable assets acquired and liabilities assumed	414,980
Purchase consideration	1,575,950
Less: Identifiable assets acquired	414,980
Goodwill	1,160,970

*Deferred Cash Payment Amount: on the first anniversary of Completion, Xponential Technologies Ltd must pay $126,076 of the Deferred Cash Amount and must pay to the other Sellers an amount equal to the $252,152 balance of the Deferred Cash Payment Amount less an amount calculated as 60% of the amount (if applicable) by which the Total Revenue received in the period of one year from Completion is less than $2,626,585.

**Deferred Equity issuance: $333,336 to be issued by Xponential Technologies Ltd on receipt of FY21 R&D Refund from the ATO and on the second anniversary issue $157,595 in equity meaning 291,843 of the Consideration Shares or such lesser number of shares as determined in accordance with agreement clauses.

The total amount of acquired trade receivables on acquisition date of the contractual cash flows are expected to be collected.

6 Business Combinations

Acquisition-related costs of $49,831 are included in administrative expenses in the statement of profit or loss in the current reporting period.

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Internetrix Pty Ltd and Controlled Entities. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

Revenue of Internetrix Ltd and Controlled Entities included in the consolidated revenue of the Group since the acquisition date on 05 June 2021 amounted to $ 252,696 with a loss of $ 104,704.

Had the results of Internetrix Ltd and Controlled Entities been consolidated from 1 July 2020, revenue of the Group would have increased by $ 3,116,322 to $3,419,018 and consolidated loss would have decreased by $ 81,140 for the year ended 30 June 2021. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

The goodwill is attributable to synergies expected to be achieved from integrating the Group into the Group’s existing businesses. None of the goodwill recognised expected to be deductible for income tax purposes.

7 Cash and Cash Equivalents

	2021 $	2020 $
Cash at bank and in hand	**1,722,035**	1,016,514
Total Cash and Cash Equivalents	**1,722,035**	1,016,514

8 Trade and Other Receivables

	2021 $	2020 $
CURRENT		
Trade receivables	**3,062,136**	449,241
Other receivables	**91,250**	60,400
Total current trade and other receivables	**3,153,386**	509,641

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Impairment of trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2021 is determined as follows, the expected credit losses incorporate forward looking information.

Notes to the Financial Statements

For the Year Ended 30 June 2021

8 Trade and Other Receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2021	2020
	$	$
Balance at beginning of the year	-	-
Additional impairment loss recognised	4,796	77,442
Amounts written off as uncollectible		
Directly to Profit and Loss	(4,796)	(77,442)
Balance at end of the year	-	-

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 25% against all receivables greater than 90 days because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 1 year past due, whichever occurs first.

(b) Collateral held as security

The Group does not hold any collateral over any receivables balances.

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Property, plant and equipment

	2021	2020
	$	$
Furniture, Fixtures and Fittings		
At cost	**159,655**	-
Accumulated depreciation	**(111,073)**	-
Total plant and equipment	**48,582**	-
Office equipment		
At cost	**43,465**	-
Accumulated depreciation	**(13,686)**	-
Total office equipment	**29,779**	-
Computer equipment		
At cost	**48,540**	36,722
Accumulated depreciation	**(25,207)**	(18,318)
Total computer equipment	**23,333**	18,404
Leasehold Improvements		
At cost	**76,371**	36,825
Accumulated amortisation	**(26,152)**	(12,936)
Total leasehold improvements	**50,219**	23,889
Total property, plant and equipment	**151,913**	42,293

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements	Furniture, Fixtures and Fittings	Office Equipment	Computer Equipment	Total
	$	$	$	$	$
Year ended 30 June 2021					
Balance at the beginning of year	**23,889**	-	-	**18,404**	**42,293**
Additions	-	-	-	**5,309**	**5,309**
Additions through business acquisition	**26,330**	**48,582**	**29,779**	**14,432**	**119,123**
Disposals - written down value	-	-	-	**(7,547)**	**(7,547)**
Depreciation expense	-	-	-	**(7,265)**	**(7,265)**
Balance at the end of the year	**50,219**	**48,582**	**29,779**	**23,333**	**151,913**

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

	Leasehold Improvements	Furniture, Fixtures and Fittings	Office Equipment	Computer Equipment	Total
	$	$	$	$	$
Year ended 30 June 2020					
Balance at the beginning of year	23,889	-	-	-	23,889
Additions	-	-	-	25,195	25,195
Additions through business acquisition	-	-	-	11,527	11,527
Depreciation expense	-	-	-	(18,318)	(18,318)
Balance at the end of the year	23,889	-	-	18,404	42,293

10 Intangible Assets

	2021	2020
	$	$
Goodwill		
Cost	**3,478,447**	2,317,477
Patents, Trademarks and other intangibles		
Cost	**31,971**	12,542
Accumulated amortisation	**(7,464)**	(7,464)
Net carrying value	**24,507**	5,078
Software		
Cost	**280,552**	266,662
Accumulated amortisation	**(212,170)**	(132,918)
Net carrying value	**68,382**	133,744
Customer contracts		
Cost	**1,171,000**	787,000
Accumulated amortisation	**(108,857)**	-
Net carrying value	**1,062,143**	787,000
Total Intangible assets	**4,633,479**	3,243,299

Notes to the Financial Statements

For the Year Ended 30 June 2021

10 Intangible Assets

(a) Movements in carrying amounts of intangible assets

	Patents, Trademarks and other intangibles	Customer Contracts	Goodwill	Software	Total
	$	$	$	$	$
Year ended 30 June 2021					
Balance at the beginning of the year	**5,078**	**787,000**	**2,317,477**	**133,744**	**3,243,299**
Additions	**18,623**	**-**	**-**	**13,890**	**32,513**
Additions through business acquisition (refer Note 6)	**1,006**	**384,000**	**1,160,970**	**-**	**1,545,976**
Amortisation	**-**	**(108,857)**	**-**	**(79,452)**	**(188,309)**
Closing value at 30 June 2021	**24,707**	**1,062,143**	**3,478,447**	**68,182**	**4,633,479**

	Patents & Trademarks and other intangibles	Customer Contracts	Goodwill	Software	Total
	$	$	$	$	$
Year ended 30 June 2020					
Balance at the beginning of the year	5,650	-	-	70,977	76,627
Additions	-	-	-	36,106	36,106
Additions through business acquisition	-	787,000	2,317,477	37,000	3,141,477
Amortisation	(572)	-	-	(10,339)	(10,911)
Closing value at 30 June 2020	5,078	787,000	2,317,477	133,744	3,243,299

Recoverable amount testing for goodwill and indefinite life intangibles

For the purpose of impairment testing, goodwill and indefinite life intangibles are allocated to cash-generating units as below:

One CGU exists for the group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The cross selling of products/services effectively means that a client of one individual entity within the group is also a client of all entities within the group. The selling of products/services drives the cash inflows and therefore the smallest identifiable group of assets that generates cash is the group itself.

10 Intangible Assets

Recoverable amount testing for goodwill and indefinite life intangibles
The group only has one operating segment as illustrated by the structure of the board papers which drives how management monitors the Group's operations and makes decisions about continuing or disposing of the Group's assets and operations.

Goodwill is tested for impairment as part of that one CGU which is not greater than a segment and also represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below.

The following table sets out key assumptions for goodwill held by the group:

	Group goodwill
Revenue (% annual growth rate)	25.5%
Budgeted gross margin (%)	66.3%
Annual capital expenditure (%)	2%
Pre-tax discount rate (%)	21.5%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Revenue	Average annual growth rate over the six-year forecast period; based on past performance and management's expectations of market development.
Budgeted gross margin	Based on past performance and management's expectation for the future.
Annual capital expenditure	Expected cash costs in the CGU. This is based on the historical experience of management. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Pre-tax discount rates	Reflects specific risks relating to the CGU and the countries in which the group operate.

Impact of possible changes in key assumptions:

No reasonable expected changes in the assumptions noted above results in an impairment to goodwill.

Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Other assets

	2021 $	2020 $
NON-CURRENT		
Deposits	**54,779**	63,499
Other Non-Current Assets	**54,779**	63,499

12 Leases

The Group has leases over two office spaces.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The Group leases two corporate offices, both with lease terms of 5 years. The corporate office leases contain annual pricing mechanism based on CPI movements at each anniversary of the lease inception

Right-of-use assets

	Office Leases $	Total $
Year ended 30 June 2021		
Balance at beginning of year	**372,859**	**372,859**
Additions to right-of-use assets	**444,070**	**444,070**
Lease amortisation	**(167,615)**	**(167,615)**
Balance at end of year	**649,314**	**649,314**

	Office Leases $	Total $
Year ended 30 June 2020		
Additions to right-of-use assets	409,620	409,620
Lease amortisation	(36,761)	(36,761)
Balance at end of year	372,859	372,859

Notes to the Financial Statements

For the Year Ended 30 June 2021

12 Leases

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement Of Financial Position
	$	$	$	$	$
2021					
Lease liabilities	**131,967**	**629,634**	**-**	**761,601**	**675,745**
2020					
Lease liabilities	68,343	360,903	-	429,246	379,652

Extension options

A number of the building leases contain extension options which allow the Group to extend the lease term by up to twice the original non-cancellable period of the lease.

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses where it is reasonably certain that the extension options will be exercised.

There are $nil potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the option is not reasonably certain.

The Group has applied the practical expedient to all COVID-19 related rent concessions that meet the following conditions:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c. there is no substantive change to other terms and conditions of the lease.

The practical expedient allows changes in lease payments resulting from the rent concession to be treated as a variable lease payment through the statement of profit or loss and other comprehensive income, rather than as a lease modification.

Notes to the Financial Statements

For the Year Ended 30 June 2021

13 Trade and Other Payables

	Note	2021 $	2020 $
CURRENT			
Trade payables		**2,600,523**	708,388
Accruals and other payables		**776,895**	170,564
Deferred consideration payable		**378,228**	-
GST payable		**252,585**	28,245
Total Trade and Other Payables		**4,008,231**	907,197

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

14 Borrowings

	2021 $	2020 $
CURRENT		
Loans payable	**21,196**	89,509
Total current borrowings	**21,196**	89,509

	2021 $	2020 $
NON-CURRENT		
Loans payable	**70,849**	-
Total non-current borrowings	**70,849**	-
Total borrowings	**92,045**	89,509

Summary of borrowings

The Group has a loan with National Westminster Bank plc at an interest rate of 2.5% for a term of 6 years.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

(a) The carrying amounts of non-current assets pledged as collateral for liabilities are:

The bank debt is unsecured as part of the BBLS created by the UK Government in response to Covid-19.

Notes to the Financial Statements

For the Year Ended 30 June 2021

15 Contract Liabilities

	2021 $	2020 $
CURRENT		
Contract liabilities	**1,203,186**	458,032
Total contract liabilities	**1,203,186**	458,032

The significant change in Other Liabilities is due to the acquisition of Internetrix Pty Ltd and Controlled Entities.

16 Employee Benefits

	2021 $	2020 $
Current liabilities		
Provision for employee benefits	**434,790**	185,145
Total current employee benefits	**434,790**	185,145

	2021 $	2020 $
Non-current liabilities		
Provision for employee benefits	**65,586**	12,177
Total non-current employee benefits	**65,586**	12,177

17 Issued Capital

	2021 $	2020 $
45,975,029 (2020: 42,844,646) Ordinary shares	**8,060,230**	6,053,889
Total	**8,060,230**	6,053,889

(a) Ordinary shares

	2021 $	2020 $	2021 No.	2020 No.
At the beginning of the reporting period	6,053,889	734,680	42,844,646	20,000,000
Shares issued during the year - Ordinary Shares	-	-	-	-
September 2019 ($0.00 per share)	-	-	-	7,553,642
September 2019 ($0.33 per share)	-	1,775,003	-	5,378,800
April 2020 - non-cash ($0.33 per share)	-	2,181,741	-	6,611,340
April 2020 - non-cash ($0.33 per share)	-	660,000	-	2,000,000
April 2020 ($0.54 per share)	-	702,465	-	1,300,864
April 2021 ($0.65 per share)	1,866,892	-	2,872,143	-
June 2021 - non-cash ($0.54 per share)	139,449	-	258,240	-
	8,060,230	**6,053,889**	**45,975,029**	**42,844,646**

17 Issued Capital

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios.

18 Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

(b) General reserve

The general reserve records funds set aside for future business acquisition payments, which are to be settled via share issue.

(c) Share based payment reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

19 Contracted Commitments

No contracted commitments, apart from lease commitments as per Note 12, exist as at 30 June 2021 (30 June 2020: Nil, apart from lease commitments as per Note 12).

20 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

20 Financial Risk Management

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Lease liabilities
- Borrowings

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Financial Risk Management

Liquidity risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The table below reflects the undiscounted contractual maturity analysis for financial liabilities (excluding lease liabilities for the current year - refer to note 12).

Financial liability maturity analysis - Non-derivative

	Less than 6 months		6 to 12 months		1 to 5 years	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Trade payables	**2,600,523**	**708,388**	**-**	-	**-**	-
GST payable	**252,585**	**28,245**	**-**	-	**-**	-
Borrowings	**10,598**	**-**	**10,598**	89,509	**70,849**	-
Lease liabilities	**52,867**	**26,929**	**52,867**	26,929	**484,317**	262,458
Deferred consideration	**-**	**-**	**378,228**	-	**-**	-
Total contractual outflows	**2,916,573**	763,562	**441,693**	116,438	**555,166**	262,458

	Greater than 5 years		Total	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial liabilities due for payment				
Trade payables	**-**	-	**2,600,523**	708,388
GST payable	**-**	-	**252,585**	28,245
Borrowings	**-**	-	**92,045**	89,509
Lease liabilities	**85,695**	63,337	**675,745**	379,652
Deferred consideration	**-**	-	**378,228**	-
Total contractual outflows	**85,695**	63,337	**3,999,126**	**1,205,794**

20 Financial Risk Management

Liquidity risk

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia and the United Kingdom given the location of its operations in those regions.

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Financial Risk Management

(a) Credit Risk - Trade and Other Receivables

As at 30 June 2021, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2021	2020
United Kingdom (UK)	535,942	119,158
Australia	2,617,444	390,483
Total	3,153,386	509,641

All of these financial assets are considered to have low credit risk and therefore the impairment provision recognised during the period was limited to 12 months expected credit losses.

The ageing analysis of receivables is as follows:

	2021 $	2020 $
Neither past due nor impaired	**2,368,122**	421,727
1-30 days (past due not impaired)	**755,888**	75,998
31-90 days (past due not impaired)	**29,376**	11,916
	3,153,386	509,641

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Pounds.

Generally, the Group‘s risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-Australian Dollar currencies and expected cash reserves in that currency.

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Financial Risk Management

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows,

	AUD	GBP	USD	Total
2021	**$**	**$**	**$**	**$**
Nominal amounts				
Cash and cash equivalents	**1,425,886**	**262,432**	**33,717**	**1,722,035**
Trade and other receivables	**2,561,661**	**284,755**	**306,970**	**3,153,386**
Trade and other payables	**(3,538,976)**	**(232,883)**	**(236,372)**	**(4,008,231)**
Short-term exposure	**448,571**	**314,304**	**104,315**	**867,190**
2020				
Nominal amounts				
Cash and cash equivalents	955,669	60,845	-	1,016,514
Trade and other receivables	457,927	51,714	-	509,641
Trade and other payables	(595,502)	(217,492)	(94,203)	(907,197)
Short-term exposure	818,094	(104,933)	(94,203)	618,958

Market risk - Foreign currency sensitivity table

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP – Australian Dollar exchange rate and USD – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 2% change of the Australian Dollar / GBP exchange rate for the year ended 30 June 2021 (30 June 2020: 2%). A +/- 2% change is considered for the Australian Dollar / USD exchange rate (30 June 2020: 2%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The year end rate is 0.54 GBP and 0.75 USD.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the Australian Dollar had strengthened and weakened against the GBP and USD by 2% ((30 June 2020: 2%) and 2% ((30 June 2020: 2%) respectively then this would have had the following impact:

	2021		2020	
	+2%	**-2%**	**+2%**	**-2%**
GBP				
Net results	**(3,939)**	**4,100**	(3,379)	3,517
Equity	**3,939**	**(4,100)**	3,379	(3,517)
USD				
Net results	**(9,597)**	**9,989**	(5,038)	5,243
Equity	**9,597**	**(9,989)**	5,038	(5,243)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Notes to the Financial Statements
For the Year Ended 30 June 2021

21 Tax assets and liabilities

	2021 $	2020 $
Current tax	**138,805**	33,663

(a) Deferred Tax Assets

	Opening Balance $	Acquired on Acquisition $	Charged to Profit or Loss $	Exchange Differences $	Closing Balance $
Deferred tax assets					
Provisions - employee benefits	**34,144**	**61,391**	**31,893**	**-**	**127,428**
Accruals	**17,048**	**-**	**96,936**	**295**	**114,279**
Contract liabilities	**-**	**74,397**	**(1,531)**	**-**	**72,866**
Leases	**-**	**2,185**	**1,408**	**-**	**3,593**
Balance at 30 June 2021	**51,192**	**137,973**	**128,706**	**295**	**318,166**

(b) Deferred Tax Liabilities

	Opening Balance $	Acquired on Acquisition $	Charged to Profit or Loss $	Exchange Differences $	Closing Balance $
Deferred tax liabilities					
Depreciation	**65**	**15,524**	**4,545**	**-**	**20,134**
Prepayments	**3,600**	**16,380**	**(6,298)**	**272**	**13,954**
Customer Lists	**144,780**	**96,000**	**(21,826)**	**-**	**218,954**
Balance at 30 June 2021	**148,445**	**127,904**	**(23,579)**	**272**	**253,042**

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2021 $	2020 $
Tax losses	**925,008**	636,166

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

22 Share based payments - Employee Options

Share based payment expense recognised during the year:

	2021 $	2020 $
Share options issued to staff during 2021	358,451	-

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Share based payments - Employee Options

Notes for the above table:

1. 3,225,861 options were granted to staff at dates outlined below. The valuation methods used to value the options are set out below.

Further information regarding the Company's unlisted options is set out below.

The Group has an Employee Share Option Scheme for directors, senior executives, employees and key consultants of the Group whereby those parties may be granted options to purchase ordinary shares in the Company. There were 3,225,861 (2020: nil) options issued under the ESOP during the year. No options have exercised or lapsed during the current and comparative financial year.

The unlisted options outstanding at the end of 2021 and their movement during the year were as follows.

2021 Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited / Expired during the year	Balance at the end of the year
30 June 2020	30 June 2023	$0.55	3,225,861	-	-	-	3,225,861

Weighted average exercise price $0.55

The weighted average remaining contractual life of options outstanding at year end was 2 years (2020: 3 years).

Valuation Model –unlisted options

3,225,861 options were issued to staff and Directors on 30 June 2020. The staff options vest only upon the respective staff meeting their service commitment with the company over the vesting period and where applicable by meeting their individual respective performance incentive program driven by non-market vesting conditions. A summary of the non-market vesting conditions are included here:

Grant Date	Total Options Granted	With performance conditions	Without performance conditions	Performance Conditions
30/06/2021	3,225,861	100,000	3,125,861	i) 50,000 options – based on achieving a minimum $2m Annualised Recurring Revenue (ARR) consecutively for 12 weeks. ii) 50,000 options – based on achieving a minimum $3m ARR consecutively for 12 weeks.

The fair value of 3,225,861 options (issued to staff in June 2020) were determined at grant date, using a Black-Scholes option valuation model that takes into account the share price at grant date, exercise price, expected volatility (determined by reference to historical volatility of the share price of similar companies), option life and the risk free rate.

	Grant Date	Expiry Date	Number Issue	Share price at grant date	Exercise price	Expected volatility	Risk-free rate	Fair value at grant date
i)	1/07/2020	30/06/2023	3,225,861	0.54	0.55	100%	0.27%	0.33

23 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2021 $	2020 $
Short-term employee benefits	**1,237,465**	791,426
Long-term benefits	**3,819**	46,944
STI - cash bonus	**233,892**	-
Other non-cash benefits	**59,233**	34,827
Share-based payments	**205,064**	-
Total KMP Remuneration	**1,739,473**	873,197

24 Auditors' Remuneration

	2021 $	2020 $
Remuneration of the auditor BDO, for:		
- auditing of financial statements	**50,000**	37,500
- taxation compliance services	**26,940**	31,900
Total	**76,940**	69,400

25 Earnings per share

	2021 $	2020 $
Loss after income tax attributable to the owners of Xponential Technologies Ltd	**(1,993,046)**	(1,933,842)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**43,580,525**	32,181,637
Weighted average number of ordinary shares used in calculating diluted earnings per share	**43,580,525**	32,181,637

	Cents	Cents
Basic earnings per share	**(4.44)**	(6.01)
Diluted earnings per share	**(4.44)**	(6.01)

Share options are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2021 financial year and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Subsidiaries:			
Maverick Data Group Pty Ltd	Australia	**100**	100
Datisan Pty Ltd	Australia	**100**	100
Holoscribe Australia Pty Ltd	Australia	**100**	100
Wondaris Pty Ltd	Australia	**100**	100
Xpon Digital Limited	United Kingdom	**100**	100
Holoscribe Limited	United Kingdom	**100**	100
Internetrix Pty Ltd	Australia	**100**	-
Internet Solutions Australia Pty Ltd	Australia	**100**	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

27 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020:None).

28 Related Parties

(a) The Group's main related parties are as follows:

The ultimate parent entity, which exercises control over the Group, is Xponential Technologies Ltd which is incorporated in Australia.

Remuneration of Key management personnel - refer to Note 23.

Subsidiaries - refer to Note 26

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Notes to the Financial Statements

For the Year Ended 30 June 2021

28 Related Parties

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Purchases $	Balance outstanding Owed to the company $
KMP related parties		
Inaware Pty Ltd	141,087	-
Key management personnel of the entity		
Ben Fogarty	-	18,184

29 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net loss to net cash provided by operating activities:

	2021 $	2020 $
Total loss for the year	**(1,933,046)**	(1,933,842)
Non-cash flows in profit:		
- depreciation and amortisation	**363,189**	65,990
- net loss on disposal of plant and equipment	**7,545**	-
- finance costs on leases	**30,508**	9,446
- acquisition DTL reversal	**(21,826)**	-
- share based payments expensed	**358,451**	-
- net exchange differences	**8,720**	(2,545)
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:		
- (increase)/decrease in trade and other receivables	**(2,468,456)**	42,523
- (increase)/decrease in other assets	**-**	(43,767)
- (increase)/decrease in deferred tax asset	**(129,508)**	(34,132)
- increase/(decrease) in trade and other payables	**2,318,382**	(140,379)
- (increase)/decrease in other liabilities	**442,519**	364,032
- increase/(decrease) in income taxes payable	**(105,142)**	6,063
- increase/(decrease) in deferred tax liability	**(1,480)**	(1,761)
- increase/(decrease) in provisions	**175,054**	95,050
Cashflows from operations	**(955,090)**	(1,573,322)

Notes to the Financial Statements

For the Year Ended 30 June 2021

29 Cash Flow Information

(b) Non-cash financing and investing activities

	2021	2020
	$	$
Non-cash issue of shares	(139,449)	-

Non-cash financial activities disclosed in other notes are:

- non-cash issue of 258,240 shares at $0.54 per share in June 2021 - note 17

30 Events Occurring After the Reporting Date

On 26 July 2021, Tim Ebbeck was appointed as a non executive Director of the group.

On 26 August 2021, Leanne Wolski resigned as company secretary.

On 26 August 2021, Mark Lucciardo from Mertons Corporate Services was appointed as company secretary.

Event 1 – Initial public offering ("IPO") and pre-IPO offering

The Group engaged Sequoia Financial Group to act as Lead Manager in relation to its initial public offering ("IPO") and pre-IPO offering ("Pre-IPO") in June 2021. Sequoia led the Pre-IPO round via a $1,110,000 convertible note capital raise completed on 24 August 2021. The notes are convertible (at the option of the holder) into ordinary shares of the Company at the lower of:

- $0.687 per share; and

- The lowest price per share that was issued by the company between the date of issue of the notes and the conversion event.

The notes will automatically convert into ordinary shares immediately prior to the first to occur:

- Completion of a qualifying financing (the entry by the company into a binding agreement to raise $10,000,000 or more in aggregate through the issue of ordinary or preferred shares in one capital round and which is not an IPO);

- The company (or its ultimate holding company) lodging a prospectus with ASIC in connection with an IPO and receives conditional approval from the ASX to list its shares on the ASX;

- Completion of an exit (trade or share sale); or

- The maturity date which is 18 months from the date that the notes were first issued.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Notes to the Financial Statements

For the Year Ended 30 June 2021

31 Parent entity

The following information has been extracted from the books and records of the parent, Xponential Technologies Ltd and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Xponential Technologies Ltd has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2021	2020
	$	$
Statement of Financial Position		
Assets		
Current assets	**597,922**	642,195
Non-current assets	**2,308,145**	1,046,550
Total Assets	**2,906,067**	1,688,745
Liabilities		
Current liabilities	**311,016**	97,865
Non-current liabilities	**61,967**	266
Total Liabilities	**372,983**	98,131
Equity		
Issued capital	**4,344,360**	2,477,467
Accumulated losses	**(886,853)**	-
Reserves	**358,451**	-
Total Equity	**3,815,958**	2,477,467
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	**(1,282,874)**	(886,853)
Total comprehensive loss	**(1,282,874)**	(886,853)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

Notes to the Financial Statements

For the Year Ended 30 June 2021

32 Statutory Information

The registered office and principal place of business of the company is:

Xponential Technologies Ltd and Controlled Entities
Level 2
22 Longland Street
Newstead QLD 4006

Xponential Technologies Ltd and Controlled Entities

ABN: 37 635 810 258

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

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

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

Director .... Director ....

Dated 5th October 2021

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GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Xponential Technologies Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xponential Technologies Ltd (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

L G Mylonas
Director

Brisbane, 5 October 2021