

# **AP VENTURES LIMITED**

(Formerly known as Change Up Holdings Limited)

ACN 612 559 958

and controlled entities

## **Annual Financial Report**

For the year ended 31 December 2019

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## DIRECTORS' REPORT

The Directors submit their report for the year ended **31 December 2019**. The financial accounts reflect the activities for the year ended **31 December 2019**.

### Principal activity

AP Ventures Limited (the **Company**) is an Australian public company which has a subsidiary in Singapore (collectively, the **Group**). The Company's principal activity is the identification and assessment of potential investment opportunities, including but not limited to opportunities that are referred to the Company by Afterpay Limited (**Afterpay**) in accordance with the Collaboration and Partnership Agreement entered into between the Company and Afterpay in July 2019.

### Directors

The names and details of the Group and Company's directors in office during the financial year and until the date of this report are as follows:

- Michael Jefferies, Non-Executive Director and Chairman (appointed 29 July 2019)
- Hugh Robertson, Non-Executive Director
- Sophie Karzis, Non-Executive Director
- John McBain, Non-Executive Director

All of the directors have been in office for the entire year unless otherwise stated.

### Names, qualifications, experience and special responsibilities

#### *Michael Jefferies (Non-Executive Director and Chairman)*

Mr Jefferies is a chartered accountant with extensive experience in finance and investment including more than 20 years at Guinness Peat Group plc., an international investment group listed on the major stock exchanges in London, Australia and New Zealand. In addition to his role with the Company, Michael is a non-executive director of Pantoro Limited and Ozgrowth Limited. His previous roles include as a director of Afterpay Limited. Michael has over 30 years of public company and finance experience.

#### *Sophie Karzis (Non-Executive Director)*

Ms Karzis is a practising corporate and commercial lawyer who is experienced in the areas of equity capital markets, mergers and acquisitions, and corporate governance for ASX-listed entities. Sophie acts as company secretary and general counsel for a number of ASX-listed and unlisted entities and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia. Sophie holds a Bachelor of Jurisprudence and a Bachelor of Laws degree.

#### *Associate Professor John McBain AO (Non-Executive Director)*

Professor McBain is Honorary Professor of the Melbourne's Royal Women's Hospital. He is a former President of the Fertility Society of Australia, and was a founder of Melbourne IVF, now Virtus Health, and served as Chairman of Melbourne IVF and subsequently as a director of Virtus Health prior to its listing on the ASX.

#### *Hugh Robertson (Non-Executive Director)*

Mr Robertson is a senior investment adviser with Bell Potter. He has worked in the stockbroking industry for 36 years with a variety of firms including Investor First and Wilson HTM. In addition to his role with the Company Hugh is also a non-executive director of Longtable Limited and Centrepont Alliance Limited.

## Company Secretary

### Alyn Tai

Ms Tai is a practising lawyer who specialises in the areas of corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities. She holds a Bachelor of Laws from the University of Exeter and was called to the Bar of England and Wales before being admitted to the Supreme Court of Victoria as an Australian lawyer.

## Directors' meetings

The number of formal meetings of directors held during the year and the number of meetings attended by each Director were as follows:

Director	No of Scheduled Directors' meetings eligible to attend	No of Scheduled Directors' meetings attended
Michael Jefferies	2	2
Hugh Walter Robertson	5	5
Sophie Karzis	5	5
John McBain	5	5

## Dividends

No dividends were paid or declared by the Company during the year ended **31 December 2019**.

## Significant Changes in the State of Affairs

On 20 March 2019, the Company issued 77,667,800 shares at \$0.015 under a shortfall placement facility from its 2-for-1 pro-rata non-renounceable rights issue to existing shareholders to raise \$2m at 1.5c per share (**Rights Issue**) undertaken in November 2018. The Company raised \$1,165,017 under the shortfall placement.

The result of the Rights Issue and the shortfall placement was that a total of 150,721,133 shares at \$0.015 were issued in total, raising the Company \$2,260,817 (before costs).

In July 2019, the Company entered into a Collaboration and Partnership Agreement with Afterpay under which it was agreed that Afterpay may refer opportunities to the Company in order for the Company to evaluate their feasibility and, if determined as viable, pursue them.

In exchange, the Company would, subject to shareholder approval, issue new shares to Afterpay or its nominee subsidiary to increase its shareholding in the Company from 4.6% to 43.92%.

In October 2019, the Company appointed Hein Vogel as its CEO. Hein has a long track record in the growth company investments space and is well placed to build out the Company's strategy and pursue transaction opportunities under the guidance of the Board.

On 3 December 2019, the Company held a General Meeting, at which shareholders approved the Company's change of name from Change Up Holdings Limited to "AP Ventures Limited" and approved the issue of 151,828,182 new shares to Afterpay to increase its shareholding in the Company from 4.6% to approximately 43.92%.

At the conclusion of the General Meeting held on 3 December 2019, Hugh Robertson handed over the role of Chairman of the Board to Mike Jefferies.

## Strategy and Management

The Company is now pursuing its objective of becoming an investment holding company. The Company believes that it will be the beneficiary of many attractive deal opportunities, especially with the agreement with Afterpay now in place and a new CEO appointed.

One such opportunity was identified in late 2019, being the opportunity to invest in LayAway Travel Australia Pty Ltd (ACN 604 105 740) (**LayAway**). Agreements pursuant to which the Company acquired 77.9% of the issued shares of LayAway were executed in January 2020 and more information on this investment is provided in the Significant Events Subsequent to Balance Date section of this Annual Report.

In order to fund the proposed investment in LayAway, the Company successfully completed a capital raising of \$15m in February 2020, further details of which are also provided in the Significant Events Subsequent to Balance Date section of this Annual Report.

## Significant Events Subsequent to Balance Date

In February 2020, the Company undertook a \$15 million placement (**Placement**) under which a total of 300m new shares were issued at a price of \$0.05 per share.

Proceeds from the Placement were used to complete the acquisition of 77.9% of the issued shares of LayAway. The acquisition was completed by way of:

- the issue of 289,017 shares by LayAway to the Company for an aggregate amount of \$5,999,992.92; and
- a purchase of existing shares in LayAway by the Company from existing shareholders of LayAway for an aggregate \$4,206,204.36.

The Company's issued share capital following allotment of the new Shares issued under the Placement is as follows:

	No. on issue
<b>Ordinary shares</b>	536,725,774
<b>Ordinary shares with restricted voting rights*</b>	131,753,541
<b>Issued share capital (undiluted)</b>	<b>668,479,315</b>

*\*Shares issued to Touchcorp Limited under the Placement have restricted voting rights for as long as these shares are held by Touchcorp or any of its associated entities. Touchcorp Limited is a wholly owned subsidiary of Afterpay Limited.*

The Board is confident that there is a good opportunity for LayAway to carve out a niche in the travel space with its lay-by technology and collaboration arrangements with Afterpay.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation and there is no doubt that the COVID-19 pandemic has created significant uncertainty in the Australian and world markets, with the impact being felt by the tourism and travel industries in particular. It is not possible to estimate the impact of the outbreak's near-term and longer-term effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. Whilst LayAway's revenue objectives will be impacted in the short term, the Company continues to be positive about the investment for the following reasons:

- Investment criteria are based on creating long term value and the Board continues to hold the view that the Company's investment in LayAway will generate returns over the mid to longer term investment horizon.
- LayAway has an experienced and skilled management team in place, led by Andrew Paykel who is a material shareholder in LayAway alongside the Company.
- LayAway is well capitalised with approximately \$6m injected into its balance sheet in February 2020. This enables LayAway to withstand setbacks in the short term and to remain focused on building out its technology and strategic plans while many other industry participants are or will be under significant pressure in the months to come.

- As LayAway is coming off a small revenue base and with a strong balance sheet, the LayAway team is well placed to capitalise on the opportunities that will arise during the post COVID-19 recovery.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

The Directors are not aware of any other matter or circumstance which has arisen since 31 December 2019 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Likely Developments and Expected Results

In accordance with section 299(1)(e) of the Corporations Act 2001, the Directors have excluded from this report any further information on the likely developments in the operations of the economic entity and the expected results of those operations in future financial years as the directors have reasonable grounds to believe that such information would be likely to result in unreasonable prejudice to the economic entity.

## Environmental Regulation and Performance

There have been no known breaches of environmental regulations.

## Proceedings on Behalf of the Group

No person has applied under section 237(1) of the Corporations Act 2001 for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## Share Options

### *Unissued shares*

As at the date of this report there were 41,600,000 (2018: 1,600,000) unissued ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Group or any related body corporate.

The Company has entered into an agreement to grant options over unissued shares in the Company.

Details of the option plan and performance rights are disclosed in Note 12 to the Financial Statements.

## Indemnification and insurance of directors and officers.

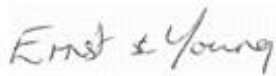
During or since the financial year the Company has entered into Deeds of Indemnity, Insurance and Access with each director, the Chief Executive Officer and the secretary of the Company against a liability incurred as an officer. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

## Auditor's Independence Declaration to the Directors of AP Ventures Limited

As lead auditor for the audit of the financial report of AP Ventures Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AP Ventures Limited and the entities it controlled during the financial year.



Ernst & Young



David McGregor  
Partner  
17 April 2020

## Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue		-	111
Depreciation	9	-	(19,814)
Amortisation of Intangible Assets	10	-	(11,250,049)
Write-off of assets	9	-	(12,288)
Share-based payment expense	12(a)	(49,418)	(344,507)
Employee benefits expense	4(b)	(74,410)	(1,569,217)
Insurance expense		(10,195)	(19,970)
Legal expenses		(16,065)	(113,011)
Corporate & compliance expenses		(108,318)	(314,441)
Marketing expenses		-	(156,640)
Travel & accommodation expenses		-	(44,881)
Other expenses	4(a)	(1,682,338)	(179,353)
<b>Operating loss</b>		<b>(1,940,744)</b>	<b>(14,024,060)</b>
Interest revenue		-	5,963
<b>Loss before tax</b>		<b>(1,940,744)</b>	<b>(14,018,097)</b>
Income tax expense	5	-	-
<b>Loss for the year</b>		<b>(1,940,744)</b>	<b>(14,018,097)</b>
<b>Other comprehensive loss</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		12,244	(171,510)
<b>Other comprehensive loss for the year, net of tax</b>		<b>12,244</b>	<b>(171,510)</b>
<b>Total comprehensive loss for the year, net of tax</b>		<b>(1,928,500)</b>	<b>(14,189,607)</b>



## Consolidated statement of financial position

At 31 December 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,779,944	974,715
Trade and other receivables	7	12,555	1,004
Other current assets	8	144,342	18,164
<b>Total Current Assets</b>		<b>1,936,841</b>	<b>993,883</b>
<b>Non-current Assets</b>			
Property, plant and equipment	9	-	-
Intangible assets	10	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>1,936,841</b>	<b>993,883</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	1,737,517	80,493
<b>Total Current Liabilities</b>		<b>1,737,517</b>	<b>80,493</b>
<b>TOTAL LIABILITIES</b>		<b>1,737,517</b>	<b>80,493</b>
<b>NET ASSETS</b>		<b>199,324</b>	<b>913,390</b>
<b>EQUITY</b>			
Issued capital	14(a)	19,446,214	18,281,198
Accumulated losses		(19,588,742)	(17,647,997)
Foreign currency translation reserve		(165,324)	(177,569)
Reserves	14(c)	507,176	457,758
<b>TOTAL EQUITY</b>		<b>199,324</b>	<b>913,390</b>

## Consolidated statement of changes in equity

For the year ended 31 December 2019

	Issued capital (note 14(b)) \$	Accumulated losses \$	Reserves (note 14(c)) \$	Foreign currency translation reserve \$	Total \$
<b>At 1 January 2019</b>	<b>18,281,198</b>	<b>(17,647,997)</b>	<b>457,758</b>	<b>(177,569)</b>	<b>913,390</b>
Loss for the year	-	(1,940,744)	-	-	(1,940,744)
Other comprehensive loss	-	-	-	12,244	12,244
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,940,744)</b>	<b>-</b>	<b>12,244</b>	<b>(1,928,500)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of share capital	1,165,016	-	-	-	1,165,016
Share based payments (i)	-	-	49,418	-	49,418
<b>At 31 December 2019</b>	<b>19,446,214</b>	<b>(19,588,741)</b>	<b>507,176</b>	<b>(165,325)</b>	<b>199,324</b>
<b>At 1 January 2018</b>	<b>17,188,917</b>	<b>(3,629,900)</b>	<b>113,251</b>	<b>(6,059)</b>	<b>13,666,209</b>
Loss for the year	-	(14,018,097)	-	-	(14,018,097)
Other comprehensive loss	-	-	-	(171,510)	(171,510)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(14,018,097)</b>	<b>-</b>	<b>(171,510)</b>	<b>(14,189,607)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of share capital	1,095,800	-	-	-	1,095,800
Share issue expenses	(3,519)	-	-	-	(3,519)
Share based payments (i)	-	-	344,507	-	344,507
<b>At 31 December 2018</b>	<b>18,281,198</b>	<b>(17,647,997)</b>	<b>457,758</b>	<b>(177,569)</b>	<b>913,390</b>

(i) This amount is made up of the share options expensed during the year.

## Consolidated statement of cashflows

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers and other debtors		6,613	111
Payments to employees		(74,410)	(1,569,217)
Payments to suppliers (net of GST)		(147,648)	(778,565)
<b>Net cash flows used in operating activities</b>	6	<b>(215,445)</b>	<b>(2,347,671)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	5,963
Purchase of property, plant and equipment		-	(5,566)
Loan to LayAway Travel Australia Pty Ltd		(144,342)	-
<b>Net cash flows (used in) / from investing activities</b>		<b>(144,342)</b>	<b>397</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,165,016	1,095,800
<b>Net cash flows from financing activities</b>		<b>1,165,016</b>	<b>1,095,800</b>
Net increase/(decrease) in cash and cash equivalents		805,229	(1,251,474)
Cash and cash equivalents at beginning of year		974,715	2,226,189
<b>Cash and cash equivalents at end of year</b>	6	<b>1,779,944</b>	<b>974,715</b>

## Notes to the Financial Statements

### NOTE 1: CORPORATE INFORMATION

The consolidated financial report of AP Ventures Limited and its controlled entities (the Group) for the year ended **31 December 2019** was authorised for issue in accordance with a resolution of the directors on 16 April 2020.

The financial accounts reflect the activities for the financial year ended **31 December 2019**.

AP Ventures Limited is a public company limited by shares incorporated in Australia whose shares are not publicly traded on the Australian Securities Exchange.

AP Ventures Limited has a wholly owned subsidiary in Singapore and as of 19 February 2020 owns 77.9% of the issued share capital of LayAway Travel Australia Pty Ltd (**LayAway**) (ACN 604 105 740).

On 3 December 2019, the Company held a General Meeting, at which shareholders approved the Company's change of name from Change Up Holdings Limited to "AP Ventures Limited".

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

#### (b) Going concern

The financial report has been prepared on the basis that the Group is a going concern. For the year ended **31 December 2019**, the Group recorded a net loss after tax of \$1,940,744, and net cash outflows from operating activities of \$215,445.

As at **31 December 2019**, the Group has a net current asset position of \$199,324 comprising cash reserves of \$1,779,944 with no external debt or borrowings.

In February 2020, the Company undertook a \$15 million placement (**Placement**) under which a total of 300m new shares were issued at a price of \$0.05 per share.

Approximately \$10.2m of the proceeds from the Placement were used to complete the acquisition of 77.9% of the issued shares of LayAway. The balance of the proceeds of the Placement were used to pay for costs associated with the acquisition of LayAway, costs associated with the capital raising and for working capital purposes. As at the date of this Report, the Company has approximately \$4.2m cash at bank.

As part of its acquisition of LayAway, approximately \$6 million was paid to LayAway for the issue of new shares; this capital has significantly strengthened LayAway's balance sheet.

The Group has sufficient capital to fund its ongoing corporate and administrative overheads, and fees associated with the evaluation of, and due diligence investigations on, suitable business opportunities.

The Directors will continue to be disciplined on costs and will continue to waive their entitlements to receive remuneration.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis. Should the Group be unable to improve its cash flows with the initiatives detailed above then, the Group may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statements.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (c) New accounting standards and interpretations

There are no new standards and interpretations that are effective for annual periods beginning on or after 1 January 2019 which are applicable to the Group. In particular, the Group does not have any leases at 1 Jan 2019 and as at 31 Dec 2019 and as such there is no impact of AASB 16 *Leases* on transition date and at 31 December 2019.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, as applicable, when they become effective.

Pronouncement and Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2018-6  <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	The Standard amends the definition of a business in AASB 3 <i>Business Combinations</i> . The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	1 January 2020	Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.	1 January 2020
AASB 2018-7  <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard amends AASB 101 <i>Presentation of Financial Statements</i> and AAS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to align the definition of 'material' across the standards and to clarify certain aspects of the definition.  The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.	1 January 2020

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (d) Significant accounting judgements, estimates and assumptions

Management has identified the following accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of these assumptions may be found in the relevant notes to the financial statements.

#### (i) *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### (ii) *Taxation*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

### (e) Basis of consolidation

The consolidated financial statements comprise the financial statements of AP Ventures Limited and its subsidiary (the Group) as at and for the year ended **31 December 2019**.

Subsidiary are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

The subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in a subsidiary held by AP Ventures Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiary are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiary, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) *Interest revenue*

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

### (g) Leases

The Group does not have any leases and as such there is no impact of AASB 16 *Leases* at 31 December 2019 and accordingly no internal policies are currently in place to recognise any right-of-use asset and lease liability in accordance with AASB 16.

### (h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (i) Trade and other receivables

Trade receivables, which generally have 7 to 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (j) Foreign currency translation

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the functional and presentation currency of AP Ventures Limited is in Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (k) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.
- When the taxable temporary differences associated with investments in subsidiary, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiary, associates and interests in joint ventures, in which case deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### (l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement 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.

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



## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

Depreciation is calculated on the straight-line basis over the estimated useful life of the specific assets as follows:

- Plant and equipment - 3 to 5 years

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The assets or cash-generating unit is written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the profit or loss in the cost of sales line item.

#### *Derecognition*

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

### (n) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

	Core Technology
Useful life	Finite
	10 years - Straight-line
Amortisation method used	The amortisation method is reviewed at every reporting period. In the prior year, the asset was fully amortised following the closure of previous operations.
Internally generated / Acquired	Acquired
Impairment testing	Reviewed annually for indicators of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### (o) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (p) Trade and other payables

Trade payables and other payables are carried at amortised cost. Due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (q) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### (i) *Employee leave benefits*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### (ii) *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (r) Share-based payment transactions

#### *Equity settled transactions*

The Group provides benefits to employees (including key management personnel) and Directors of the Group, in the form of share-based payments, whereby employees and Directors render services in exchange for shares or rights over shares (equity-settled transactions).

The Long-Term Incentive Plan (LTIP) provides benefits to directors, senior executives and other staff as agreed by the Board of Directors.

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised in the statement of comprehensive income for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The Group provides benefits in the form of share options.

### (s) Contributed equity

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

## NOTE 3: SEGMENT INFORMATION

As at the **31 December 2019**, the Company has no operational segments which need to be disclosed.

## NOTE 4: REVENUES AND EXPENSES

	2019 \$	2018 \$
<b>Expenses</b>		
<b>(a) Other expenses included in income statement</b>		
Product Development costs	-	194,863
Foreign exchange (gains)/losses	12,787	(146,282)
Cost Reimbursement *	1,500,000	-
Other expenses	169,551	130,772
<b>Total</b>	<b>1,682,338</b>	<b>179,353</b>

\* Cost associated with the evaluation of, and due diligence investigations on, LayAway by Afterpay Limited

### **(b) Employee benefits expense**

Wages and salaries	74,410	1,569,217
<b>Total</b>	<b>74,410</b>	<b>1,569,217</b>

## NOTE 5: INCOME TAX

	2019 \$	2018 \$
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<i>Current income tax charge</i>		
Current income tax charge	(582,223)	(4,205,429)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	474,680	3,365,644
Reversal / non recognition of deferred tax asset in relation to tax losses and temporary differences	89,054	839,785
<b>Income tax expense as reported in the income statement</b>	<b>-</b>	<b>-</b>

### (b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2019 \$	2018 \$
Accounting loss before tax	(1,940,744)	(14,018,097)
At the Group's statutory rate of 30%	(582,223)	(4,205,429)
Expenditure not allowed for income tax purposes	18,125	104,423
Singapore accounting loss @ 17%	(2,027)	130,167
Switzerland accounting loss @ 8.5%	-	80,268
Tax rate differential	(1,550)	302,569
Tax loss and temporary differences not brought to account	567,675	3,588,002
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

## NOTE 6: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash at bank and in hand	1,779,944	974,715

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is \$1,779,944 (2018: \$974,715).

### Reconciliation from the net profit after tax to the net cash flows from operations

Net profit	(1,940,744)	(14,018,097)
<i>Adjustments for:</i>		
Depreciation	-	19,814
Amortisation	-	11,250,049
Write-off of property, plant and equipment	-	12,288
Write-off of intangible assets	-	181,042
Expenses for rights issue	-	(3,519)
Interest received	-	(5,963)
Share based payments expense	49,418	344,507
Foreign exchange differences	12,244	(171,510)
Refund of deposits	-	17,771
Release of annual leave provision	-	(10,057)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(11,551)	7,929
(Increase)/decrease in other current assets	18,164	237,447
(Decrease)/increase in trade and other payables	1,657,024	(209,372)
<b>Net cash used in operating activities</b>	<b>(215,445)</b>	<b>(2,347,671)</b>

## NOTE 7: TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
<b>Trade and other receivables (current)</b>		
GST receivable	12,555	1,004

The net of GST payable and GST receivable is remitted to the appropriate tax body as required.

## NOTE 8: OTHER CURRENT ASSETS

	2019 \$	2018 \$
Prepayments & Other Receivables *	144,342	18,164

\* included in Other Receivables is a loan provided to LayAway Travel Australia Pty Ltd in the amount of \$144,342 which was entered into in anticipation of potentially entering into a transaction; the loan amount plus interest was repaid in full as part of the successfully completion of the acquisition, which occurred subsequent to balance date.

Due to the short-term nature of these assets, their carrying value is assumed to approximate their fair value.

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)

	Plant and equipment \$
<b>YEAR ENDED 31 December 2019</b>	
1 January 2019	
net of accumulated depreciation	-
<b>At 31 December 2019</b>	
net of accumulated depreciation	-
<b>At 31 December 2019</b>	
Cost	-
Accumulated depreciation	-
<b>Net carrying value</b>	-
<b>YEAR ENDED 31 December 2018</b>	
1 January 2018	
net of accumulated depreciation	26,536
Additions	5,566
Write off – net of accumulated depreciation	(12,288)
Depreciation charge for the year	(19,814)
<b>At 31 December 2018</b>	
net of accumulated depreciation	-
<b>At 31 December 2018</b>	
Cost	-
Accumulated depreciation	-
<b>Net carrying value</b>	-

## NOTE 10: INTANGIBLE ASSETS (NON-CURRENT)

	<i>Core Technology \$</i>
<b>YEAR ENDED 31 December 2019</b>	
1 January 2019	
net of accumulated amortisation	-
<b>At 31 December 2019</b>	
<b>net of accumulated amortisation</b>	<u>-</u>
<b>At 31 December 2019</b>	
Cost	11,250,049
Accumulated amortisation	<u>(11,250,049)</u>
<b>Net carrying amount</b>	<u>-</u>
<b>YEAR ENDED 31 December 2018</b>	
1 January 2018	
net of accumulated amortisation	11,431,091
Amount written off for the year	(181,042)
Amortisation for the year	(11,250,049)
<b>At 31 December 2018</b>	
<b>net of accumulated amortisation</b>	<u>-</u>
<b>At 31 December 2018</b>	
Cost	11,250,049
Accumulated amortisation	<u>(11,250,049)</u>
<b>Net carrying amount</b>	<u>-</u>

## NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate, credit, liquidity and currency risk in accordance with the Group's financial risk management policy. The objective of which is to support the delivery of the Group's financial targets, whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### Risk Exposures and Responses

#### *Price risk*

The Group has no exposure to pricing risk as prices are determined in formal sales agreements.

#### *Credit risk*

Credit risk arises from the financial assets of the Group. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

## NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

To minimise the credit risk exposure the Group attempts to trade with recognised, creditworthy parties. The Group performs credit assessments of its customers before entering into formal business arrangements. Receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

The Parent has exposure in intercompany receivables with Change Up Pte Ltd, its Singaporean subsidiary. At **31 December 2019**, the intercompany receivables from Change Up Pte Ltd were fully impaired.

### Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. At balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2019 \$	2018 \$
<b>Financial Assets</b>		
Cash and cash equivalents	1,779,944	974,715
<b>Net exposure</b>	<b>1,779,944</b>	<b>974,715</b>

The Group's policy to manage its interest rate exposure by placing funds into term deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Consolidated</b>				
- 1.00% (100 basis points)	(17,799)	(9,747)	(17,799)	(9,747)
+0.25% (25 basis points)	4,450	2,437	4,450	2,437

The movements in profits and equity are due to lower interest rates from variable cash balances. The loan extended to LayAway Travel Australia Pty Ltd amounted to \$144,342, carried a fixed interest rate of 4% p.a. with no interest rate risk, has been repaid subsequent to balance date and is not included in the above table.

Significant assumptions used in the interest rate sensitivity analysis include:

- Management believes that interest rates will likely be lower during the 12-month period subsequent to balance date.
- The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

### Foreign currency risk

The Group's balance sheet can be affected by movements in the Singapore dollar as a result of operations in Singapore. The Group has transactional currency exposures arising from expenses in Singapore.

### Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The table below reflects all contractually fixed payoffs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	2019 \$	2018 \$
1 year or less	1,737,517	80,493
1-2 years	-	-
3-4 years	-	-
Over 4 years	-	-
	<b>1,737,517</b>	<b>80,493</b>

## NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our operations such as plant and equipment and investments in working capital. These assets are considered in the Group's overall liquidity risk.

YEAR ENDED 31 December 2019	< 1 year \$	1-2 years \$	2-3 years \$	> 3 Years \$	Total \$
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,779,944	-	-	-	1,779,944
Trade and other receivables	12,555	-	-	-	12,555
Other current assets	144,342	-	-	-	144,342
	<b>1,936,841</b>	-	-	-	<b>1,936,841</b>
<b>Consolidated</b>					
<b>Financial liabilities</b>					
Trade and other payables*	1,737,517	-	-	-	1,737,517
	<b>1,737,517</b>	-	-	-	<b>1,737,517</b>
<b>Net maturity</b>	<b>199,324</b>	-	-	-	<b>199,324</b>

\* Included in the amount is \$1.5m due to Afterpay for costs incurred in conducting due diligence on the LayAway opportunity; this amount was reimbursed to Afterpay as part of the \$15m Placement.

## NOTE 12: SHARE-BASED PAYMENT PLANS

### (a) Recognised share-based payment expenses

The expense recognised for employee and professional services received during the year is shown in the table below:

	2019 \$	2018 \$
Expenses arising from equity-settled share-based payment transactions	49,418	344,507

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during the financial year ended **31 December 2019**.

### (b) Share-based payment plan

The Company has an employee option plan, with a view to aligning the interests of employees with the objectives of the Company and to provide incentives to directors, senior executives and staff. The Company share option plan applies to both past and present employees and directors and has no vesting conditions.

### (c) Summary of options granted under the LTIP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at the beginning of the year	1,600,000	0.50	1,600,000	0.50
Granted during the year*	20,000,000	0.07	-	0.00
Exercised during the year	-	0.00	-	0.00
Expired during the year	-	0.00	-	0.00
<b>Outstanding at the end of the year</b>	<b>21,600,000</b>	<b>0.10</b>	<b>1,600,000</b>	<b>0.50</b>
<b>Exercisable at the end of the year</b>	<b>1,600,000</b>	<b>0.50</b>	<b>1,600,000</b>	<b>0.50</b>



## NOTE 12: SHARE BASED PAYMENTS *(continued)*

### (c) Summary of options granted under the LTIP (continued)

The outstanding balance as at **31 December 2019** is represented by:

- 1,500,000 options over ordinary shares with an exercise price of \$0.50 each, exercisable until 18 October 2021.
- 100,000 options over ordinary shares with an exercise price of \$0.50 each, exercisable until 16 October 2022.
- 7,500,000\* options over ordinary shares with an exercise price of \$0.02 each, exercisable from 31 March 2020 until 14 October 2024.
- 12,500,000\* options over ordinary shares with an exercise price of \$0.10 each, exercisable from 30 June 2021 until 14 October 2024.

*\*The 20,000,000 options (7,500,000 at \$0.02 and 12,500,000 at \$0.10) listed above are part of the long term incentive component of the remuneration package for the Company's CEO, Hein Vogel, (LTI) which were broadly agreed in October 2019 and then updated and issued in January 2020 as outlined below:*

Tranche	No of opts	Exercise price	Vesting Date
1	10,000,000	\$0.02	31 March 2020
2	10,000,000	\$0.05	30 June 2021
3	10,000,000	\$0.15	31 December 2022
4	10,000,000	\$0.20	31 December 2023

*All of these options expire on 31 December 2024 and each tranche requires Mr Vogel to be continually employed by the Group at the Vesting Date in order to be able to be exercised. As the LTI was finalised post balance date, only 20m of the total 40m options are reflected in this Annual Report.*

### (d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at **31 December 2019** is 4.8 years (2018: 2.8 years).

### (e) Exercise price

The exercise price for options outstanding at the end of the year ranges from \$0.02 to \$0.50 per share (2018: \$0.50 per share).

### (f) Option pricing model: LTIP

The fair value of the equity-settled share options granted under the LTIP is estimated as at the grant date using the Binomial Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the year ended **31 December 2019**:

	2019	2018
Dividend yield (%)	-	-
Expected volatility (%)	70-75%	70%
Risk-free interest rate (%)	1.00-5.75%	5.75%
Expected life of option (years)	5 years	5 years
Contractual life (years)	5 years	5 years
Option exercise price (\$)	\$0.02-\$0.50	\$0.50
The estimated fair value of each option at grant date is	\$0.003 to \$0.31	\$0.31
Weighted average share price at measurement date \$	\$0.10	\$0.50

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## NOTE 13: TRADE AND OTHER PAYABLES (CURRENT)

	2018 \$	2018 \$
Accruals	237,517	80,493
Cost Reimbursement *	1,500,000	-
<b>Trade and Other Payables</b>	<b>1,737,517</b>	<b>80,493</b>

The amount of \$1.5m due was reimbursed to Afterpay for costs incurred in conducting due diligence on the LayAway opportunity; this amount was reimbursed to Afterpay as part of the \$15m Placement.

### (a) Fair Value

Due to the short term nature of these payables, their carrying values are assumed to approximate their fair values.

### (b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk are set out in Note 11.

## NOTE 14: CONTRIBUTED EQUITY AND RESERVES

	2019 \$	2018 \$
<b>(a) Ordinary shares of no par value</b>		
<b>Issued and fully paid</b>	<b>19,446,214</b>	<b>18,281,198</b>
<b>(b) Movement in ordinary shares on issue</b>		
At 1 January 2018	65,930,000	17,188,917
Share issue*	73,053,333	1,095,800
Share issue expenses	-	(3,519)
At 31 December 2018	138,983,333	18,281,198
Share issue**	77,667,800	1,165,016
Share issue expenses	-	-
<b>At 31 December 2019</b>	<b>216,651,133</b>	<b>19,446,214</b>

\* In October 2018, the Company conducted a 2-for-1 pro-rata non-renounceable rights issue to existing shareholders to raise up to \$2m at 1.5c per share (**Rights Issue**). On 19 November 2018, the Company issued 73,053,333 new shares to existing shareholders raising \$1,095,800 under the Rights Issue.

\*\* On 20 March 2019, the Company issued 77,667,800 shares at \$0.015 under the Rights Issue shortfall placement. The Company raised \$1,165,017 under this placement.

\*\*\*In July 2019, the Company entered into a Collaboration and Partnership Agreement with Afterpay Limited ("Afterpay") under which it was agreed that Afterpay may refer opportunities to the Company, in order for the Company to evaluate their feasibility and if determined as viable, pursue them and in exchange, the Company would, subject to shareholder approval, issue new shares to Afterpay to increase its shareholding in the Company from 4.6% to 43.92%. On 3 December 2019, the Company held a General Meeting, at which shareholders approved the issue of 151,828,182 new shares to Afterpay to increase its shareholding in the Company from 4.6% to approximately 43.92%. These shares were allotted after balance date in January 2020 and are therefore not reflected in the above total.

## NOTE 14: CONTRIBUTED EQUITY AND RESERVES (Continued)

### (c) Reserves

	<i>Employee equity benefits reserve</i> \$
At 1 January 2018	113,251
Share based payment expense (note 12(a))	344,507
At 31 December 2018	<b>457,758</b>
Share based payment expense (note 12(a))	49,418
<b>At 31 December 2019</b>	<b>507,176</b>

The employee equity benefits reserve is used to record the fair value of equity options granted to employees, senior executives and directors as part of their remuneration.

### (d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern, as well as to provide optimal returns to shareholders and benefits for other stakeholders. The Group constantly reviews the capital structure and the level of return on assets.

## NOTE 15: COMMITMENTS AND CONTINGENCIES

The Group has no commitments and contingencies as at the end of the year (2018: Nil).

## NOTE 16: RELATED PARTY DISCLOSURE

### (a) Subsidiary

The consolidated financial statements include the financial statements of AP Ventures Limited and the subsidiary listed in the following table.

<i>Name</i>	<i>Country of incorporation</i>	<i>% Equity interest 2019</i>	<i>% Equity interest 2018</i>	<i>Investment (\$) 2019</i>	<i>Investment (\$) 2018</i>
Change Up Pte Ltd	Singapore	100%	100%	1	1
				1	1

### (b) Other Related Parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant period.

<i>Related party</i>		<i>Sales to related parties</i> \$	<i>Purchases from related parties</i> \$	<i>Amounts owed by related parties</i> \$	<i>Amounts owed to related parties</i> \$
Director related entities					
Corporate Counsel	2019	-	17,900	-	-
	2018	-	32,781	-	-
Sophie Karzis Corporate Counsel Pty Ltd	2019	-	12,016	-	-
	2018	-	20,195	-	-
Shareholders					
Touchcorp Limited (a wholly owned subsidiary of Afterpay Limited)	2019	-	1,500,000	-	1,500,000
	2018	-	-	-	-

## NOTE 16: RELATED PARTY DISCLOSURE (*Continued*)

Sophie Karzis Corporate Counsel supplies the services of director Sophie Karzis to the Group. Invoices are settled on terms in line with other creditors.

Corporate Counsel Pty Ltd supplies secretarial and other general legal services to the group. Invoices are settled on terms in line with other creditors. Sophie Karzis is a director of Corporate Counsel Pty Ltd.

In July 2019, the Company entered into a Collaboration and Partnership Agreement with Afterpay Limited (**Afterpay**) under which it was agreed that Afterpay may refer opportunities to the Company, in order for the Company to evaluate their feasibility and if determined as viable, pursue them and in exchange, the Company would, subject to shareholder approval, issue new shares to Afterpay or one of its controlled entities (the **Afterpay Group**) to increase the Afterpay Group's shareholding in the Company from 4.6% to 43.92%. On 3 December 2019, the Company held a General Meeting, at which shareholders approved the issue of 151,828,182 new shares to the Afterpay Group. These shares were allotted after balance date in January 2020. The opportunity to invest in LayAway Travel Australia Pty Ltd was referred to the Company by Afterpay pursuant to the Collaboration and Partnership Agreement. At the time the opportunity was referred to the Company, Afterpay had invested time and costs to enter into a trial with, and to conduct due diligence on, LayAway; the Company agreed to reimburse to Afterpay the amount of \$1.5m in recognition of costs incurred as part of the transaction under which the Company acquired 77.9% of the issued share capital of LayAway.

### (b) Key Management Personnel

Details relating to KMP, including remuneration paid are included in Note 19.

## NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

In February 2020, the Company undertook a \$15 million placement (**Placement**) under which a total of 300m new shares were issued at a price of \$0.05 per share.

Proceeds from the Placement were used to complete the acquisition of 77.9% of the issued shares of LayAway. The acquisition was completed by way of:

- the issue of 289,017 shares by LayAway to the Company for an aggregate amount of \$5,999,992.92; and
- a purchase of existing shares in LayAway by the Company from existing shareholders of LayAway for an aggregate \$4,206,204.36.

The Company's issued share capital following allotment of the new Shares issued under the Placement is as follows:

	No. on issue
<b>Ordinary shares</b>	536,725,774
<b>Ordinary shares with restricted voting rights*</b>	131,753,541
<b>Issued share capital (undiluted)</b>	668,479,315
<b>Issued share capital (fully diluted)</b>	710,079,315

*\*Shares issued to Touchcorp Limited under the Placement have restricted voting rights for as long as these shares are held by Touchcorp or any of its associated entities. Touchcorp Limited is a wholly owned subsidiary of Afterpay.*

The Board is confident that there is a good opportunity for LayAway to carve out a niche in the travel space with its lay-by technology and collaboration arrangements with Afterpay.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation and there is no doubt that the COVID-19 pandemic has created significant uncertainty in the Australian and world markets, with the impact being felt by the tourism and travel industries in particular. It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. Whilst LayAway's revenue objectives will be impacted in the short term, the Company continues to be positive about the investment for the following reasons:

## NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE (Continued)

- Investment criteria are based creating long term value and the Board continues to hold the view that the Company's investment in LayAway will generate returns over the mid to longer term investment horizon.
- LayAway has an experienced and skilled management team in place, led by Andrew Paykel who is a material shareholder in LayAway alongside the Company.
- LayAway is well capitalised with approximately \$6m injected into its balance sheet in February 2020. This enables LayAway to withstand setbacks in the short term and to remain focused on building out its technology and strategic plans while many other industry participants are or will be under significant pressure in the months to come.
- As LayAway is coming off a small revenue base and with a strong balance sheet, the LayAway team is well placed to capitalise on the opportunities that will arise during the post COVID-19 recovery.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Other than as set out above, the Directors are not aware of any other matter or circumstance which has arisen since **31 December 2019** that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## NOTE 18: AUDITOR'S REMUNERATION

	2019 \$	2018 \$
Amounts received or due and receivable by Ernst & Young for:		
• An audit of the financial report of the Group and any other entity in the Group	55,000	50,200
• Other services in relation to the Group and any other entity in the Group - tax compliance & planning, other consulting services	15,000	18,760
	<b>70,000</b>	<b>68,960</b>

## NOTE 19: KEY MANAGEMENT PERSONNEL

### (a) Compensation of Key Management Personnel of the Group

	2019 \$	2018 \$
Short-term employee benefits	65,578	304,253
Share based payments	33,760	-
<b>Total compensation paid to key management personnel</b>	<b>99,338</b>	<b>304,253</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

**NOTE 19: KEY MANAGEMENT PERSONNEL (continued)**

**(b) Option holdings of key management personnel**

31 Dec 2019	Balance at beg of year 1-Jan-19	Granted as remuneration	Options exercised	Net change other	Balance at end of year 31-Dec-19	Exercisable	Not Exercisable
<b>Directors</b>							
Sophie Karzis	250,000	-	-	-	250,000	250,000	-
<b>Executives</b>							
Hein Vogel	-	20,000,000	-	-	20,000,000	-	20,000,000
<b>Total</b>	<b>250,000</b>	<b>20,000,000</b>	<b>-</b>	<b>-</b>	<b>20,250,000</b>	<b>250,000</b>	<b>20,000,000</b>

31 Dec 2018	Balance at beg of year 1-Jan-18	Granted as remuneration	Options exercised	Net change other	Balance at end of year 31-Dec-18	Exercisable	Not Exercisable
<b>Directors</b>							
Hatim Tyabji	250,000	-	-	-	250,000	250,000	-
Sophie Karzis	250,000	-	-	-	250,000	250,000	-
Torbjorn Svedenklint	250,000	-	-	-	250,000	250,000	-
Sverker Carnemark	250,000	-	-	-	250,000	250,000	-
<b>Executives</b>							
Vladimir Shchelkunov	250,000	-	-	-	250,000	250,000	-
<b>Total</b>	<b>1,250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>-</b>

**(c) Shareholdings of key management personnel**

*Shares held in AP Ventures Limited*

31 Dec 2019	Balance 1-Jan-19	Granted as remuneration	On acceptance of shortfall shares under rights issue	Net change other	Balance 31-Dec-19
<b>Directors</b>					
Michael Jefferies	5,600,000	-	3,333,400	-	8,933,400
Sophie Karzis	1,000,000	-	-	-	1,000,000
Assoc Prof John McBain	5,880,000	-	3,333,400	-	9,213,400
Hugh Robertson	7,200,000	-	3,333,400	-	10,533,400
<b>Total</b>	<b>19,680,000</b>	<b>-</b>	<b>10,000,200</b>	<b>-</b>	<b>29,680,200</b>

*Shares held in AP Ventures Limited*

31 Dec 2018	Balance 1-Jan-18	Granted as remuneration	On acceptance of rights issue	Net change other	Balance 31-Dec-19
<b>Directors</b>					
Hatim Tyabji	750,000	-	-	-	750,000
Sophie Karzis	100,000	-	900,000	-	1,000,000
Torbjorn Svedenklint	120,000	-	240,000	-	360,000
Sverker Carnemark	100,000	-	200,000	-	300,000
<b>Executives</b>					
Vladimir Shchelkunov	400,000	-	800,000	-	1,200,000
<b>Total</b>	<b>1,470,000</b>	<b>-</b>	<b>2,140,000</b>	<b>-</b>	<b>3,610,000</b>

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

## NOTE 19: KEY MANAGEMENT PERSONNEL (continued)

### (d) Other transactions with key management personnel and their related parties

There are no other transactions with key management personnel and their related parties. Refer to Note 17 for related party disclosures.

## NOTE 20: INFORMATION RELATING TO THE PARENT ENTITY

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2019 \$	2018 \$
Current Assets	1,936,841	962,358
Total Assets	1,936,841	962,358
Current Liabilities	1,730,631	54,519
Total Liabilities	1,730,631	54,519
Issued capital	19,446,214	18,281,198
Accumulated losses	19,747,180	17,784,168
Reserves	507,176	457,758
	<b>206,210</b>	<b>954,788</b>
Loss of the parent entity	1,952,665	14,996,448
Total comprehensive loss of the parent entity	1,952,665	14,996,448

## Directors' Declaration

In accordance with a resolution of the Directors of AP Ventures Limited, I declare that in the opinion of the Directors:

- 1) The consolidated financial statements and notes that are set out on pages 8 to 31 are in accordance with the Corporations Act 2001, including:
  - i) Giving a true and fair view of its financial position as at **31 December 2019** and performance for the year ended on that date of the Group.
  - ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- 2) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).
- 3) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michael Jefferies

Chairman

17 April 2020



## Independent Auditor's Report to the Members of AP Ventures Limited

### Opinion

We have audited the financial report of AP Ventures Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Emphasis of Matter: Subsequent Events - Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 17 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 17, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

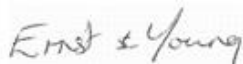
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Ernst & Young



David McGregor  
Partner  
Melbourne  
17 April 2020

## Corporate Information

### AP Ventures Limited

#### Directors

Michael Jefferies, Non-Executive Director and Chairman

Sophie Karzis, Non-Executive Director

Associate Professor John McBain AO, Non-Executive Director

Hugh Robertson, Non-Executive Director

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#### Company Secretary

Alyn Tai

Partner, Holding Redlich

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#### Auditor

Ernst & Young

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