# People. Software. Solutions.

Annual Report 2021

AD1 HOLDINGS

# CONTENTS



# ABOUT US

People. Software. Solutions.

**AD1 Holdings is a technology company that strives to deliver strong shareholder returns through a diversified portfolio of software businesses.**

## HIGHLIGHTS

# + 65%

**Increase in Revenue from Ordinary Activities**

Significant YoY growth in revenue of $2.39 million for ordinary activities, contributed by both organic growth (+32%) and business acquisition.

## Platform Growth

**+ 37%**

**ApplyDirect Users and +27% in Inbound Traffic**

**+ 60%**

**Utility Software Services Meters Under Management**

**+ 50%**

**Art of Mentoring Participants and Matches**

## OUR 100% OWNED SAAS BUSINESS VERTICALS

AD1 HOLDINGS

ApplyDirect

UTILITY SOFTWARE SERVICES

ART of MENTORING

# LETTER FROM THE MANAGING DIRECTOR & CEO

**Brendan Kavenagh**
Managing Director & CEO

It is my belief that with the right people, the right investment and the execution of our sales led strategy we can become the dominant market leading provider of SaaS B2B solutions to customers.

Dear Shareholders,

As the recently appointed CEO of AD1 Holdings Limited I am pleased to present the 2021 year in review, present my observations and articulate the key strategy areas for the year ahead.

Firstly, prior to my appointment as the CEO of AD1 Holdings I was engaged by AD1 to review the market opportunity for the ApplyDirect business which provides a recruitment solutions platform to Australia's largest employers.

In March 2021 for a short period, I was engaged to be the Head of Sales and Marketing for AD1 Holdings Limited. These few months provided me with a good insight into the business, the people and the customer base. Prior to ApplyDirect I had 20 years in the recruitment and consulting space within the Technology sector. I held executive roles and was a significant contributor to what became high growth stories for those businesses who continue to prosper today. These businesses enjoyed between 100% and 400% revenue growth reaching revenues as high as $100 million and $180 million respectively.

I am now three months into my role as your CEO. AD1 Holdings is a growing SaaS B2B business. We operate in highly competitive, highly disrupted, and constantly changing markets which provides us with significant opportunities to support our customers to achieve their objectives. Our products and services are essential enablers for critical business functions. We have big goals and are focused on creating and investing in market-leading software businesses. We are a people, software and solutions business that aims to achieve strong shareholder returns. It is my belief that with the right people, the right investment and the execution of our sales-led strategy we can become the dominant market-leading provider of SaaS B2B solutions to customers. Our three divisions represent a solid mix of industry diversification and aligned technology, which will enable us to consolidate the business operations and benefit from synergy in core functions. Further, our acquisition strategy to a

SaaS roll up and the transformation required as a business to execute this vision is now a well-positioned platform, structured for growth.

To achieve this, we have work to do. We must ensure the foundations are laid so that scale is achievable in each business. This involves:

1. **People and culture:** A united and aligned team that has belief, the grit and ownership of the plan to execute on the strategy.
2. **Product and processes:** Our businesses understand the products and the problems that we are solving; we work to clear processes. We stabilise and grow so that the customer experience is consistently positive. We innovate products through clearly defined road maps.
3. **Customer 1st:** Always at the heart of what we do. We listen, we understand, and we respond and always manage expectations.
4. **Company Synergies:** Always seeking better ways of working together. Identifying shared cross sell opportunities across the customer base to provide improved value to customers.
5. **Financials:** We invest wisely. We grow revenue, manage costs, and achieve revenue growth and strong shareholder returns.

The opportunity to capitalise on this by executing on our sales strategy is enormous. All businesses face general economic and environmental challenges. As a team we will confront the challenges head on and work toward a plan to ensure that AD1 Holdings provides our customers with the tools to better navigate these challenges to help them grow and, in turn, grow the AD1 footprint.

I am pleased to report that each of the businesses performed well in FY21.

Key highlights included:

- Significant growth of 65% YoY in revenue from ordinary activities, contributed by both organic growth and business acquisition.
- **Successful acquisition and integration** of the Art of Mentoring (**AoM**) business in October 2020 not only added over $1 million in revenue, but also expanded the Group's footprint within the lucrative HR tech market. Since becoming part of the group, AoM has continued its strong performance and added over 20 new customers to its portfolio, ended FY21 with significant revenue growth of 35% and a strong pipeline moving into the new fiscal year.
- **Platform growth YoY** – 60% increase in Utility Software Services (**USS**) meters under management, 37% increase in ApplyDirect users and 27% increase in inbound traffic.
- **Strong momentum** was observed throughout the year within the utilities sector with the introduction of 3P Energy and Powerclub in H1 FY21 and the signing of LPE in H2 FY21.
- Achieved high customer retention (100% across the ApplyDirect and USS customer base and 83% within AOM).
- ApplyDirect signed a project with the NSW Government in May 2021 to enhance its iworkforNSW careers platform and the accompanying mobile applications. The product "refresh" will further enhance the candidate experience and support NSW Government as an employer of choice. The development is well progressed and expected to be made available to the NSW Government in what was August 2021, which will be September 2021.
- Introduction of ApplyDirect's off-the-shelf product with development currently on the way with expected pilots underway in the September 2021 quarter.
- Successfully secured $2 million debt facilities to support the delivery of revenue generating initiatives.

As we look forward we are very excited about the year ahead. Our portfolio of businesses is competing in fast-growing global industries. FY22 will see significant growth in new logos for both AoM and ApplyDirect.

Both businesses operate in the highly lucrative employment market and offer services that support organisations, and attract, engage and retain staff. All organisations need staff and those that can attract and retain them have the edge over their competitors, especially highlighted during COVID-19. AoM offshore sales in online training have increased by 514% as companies look to improve the way they develop and better engage their workforce. The ApplyDirect scalable product is complementary to AOM and we will be seeking cross sell opportunities that embed both businesses into organisations. With additional investment and revised go to market strategy in progress, USS will also be well positioned to build on its momentum gained in FY21.

A successful year for AD1 Holdings Limited will be:

1. Highly engaged and productive team.
2. High customer satisfaction. Strong Net Promoter Scores.
3. Significant new logo growth for each business.
4. Established sales channel partners.
5. Maturing product offering to enable faster onboarding of new customers.
6. Offshore customer expansion for Art of Mentoring.
7. Marketing product refresh for ApplyDirect and USS.

I would like to take the opportunity to thank the Board for their support and all our staff across the three businesses for their warm welcome and their commitment to work together so we can continue to build on the progress made in FY21.

We look forward to providing you with updates during FY22.

**Mr Brendan Kavenagh**
Managing Director & CEO

# BUSINESS OVERVIEW

## AD1 Holdings is an ASX-listed technology company focused on creating and investing in market-leading software businesses. Our ambition is to deliver strong shareholder returns via a diversified global portfolio of SaaS (Software as a Service) platform brands aligned to target customer segments.

AD1 Holdings is focused on creating sustainable long-term shareholder value via cutting-edge SaaS products that provide diversified recurring revenue and strong growth potential.

We'll meet this aspiration by leveraging both organic and M&A channels. Our software businesses typically sign multi-year contracts and enjoy strong customer retention, ensuring reliable ongoing subscription revenue. Our M&A pipeline is focused on high-growth companies with large total addressable markets (TAM) that are currently under-penetrated. We seek acquisition opportunities that align with our existing customer segments and allow us to exploit operational synergies.

Our M&A activity is centred on acquiring complementary businesses across the Asia Pacific region that increase earnings per share (EPS).

These accretive acquisitions will align with our existing brands and strengthen our portfolio of SaaS platforms and consulting services.

We'll target companies that allow AD1 Holdings to access new markets, expand our penetration of existing markets and create cross-selling opportunities, growing our customer base. Our acquisitions will enable the automation and optimisation of highly transactional, non-core processes and offer a positive or near-positive EBIT.

### Our businesses

**ApplyDirect** provides customer-branded recruitment marketing platforms and related digital services. We work with government, enterprise and SME clients to build talent platforms that bring employers and candidates together, streamline the recruitment experience and reduce costs.

We're proud to power the career portals for Australia's two largest employers – the Victorian and New South Wales governments.

**Utility Software Services** provides a suite of software solutions that support energy retailers to optimise their operations. From billing and payments to customer relationship management and end-to-end customer portals, our innovative solutions allow clients to operate more efficiently and deliver a better customer experience.

We partner with start-ups through to Australia's leading energy and electricity providers to help them streamline their operations and become more competitive.

**Art of Mentoring** provides best-in-class mentoring programs that empower organisations to shift culture and develop their people. Our customisable SaaS platform uses the latest technology to streamline administration and enable high-impact, strategic mentoring that delivers measurable results.

We match tens of thousands of mentors and mentees for leading corporate and government clients each year.

# DIRECTORS AND MANAGEMENT

**Andrew Henderson**
Non-Executive Chairman

Member of the Audit & Risk Committee

**Michael Norster**
Non-Executive Director

Chair of the Audit & Risk Committee

**Nicholas Smedley**
Non-Executive Director

Andrew has over 20 years of experience in technology products and services businesses. Having worked in Asia in the early 2000s, he returned to Australia to found Phoenix IT&T Consulting Pty Ltd, where he was CEO and Executive Director for 13 years. Phoenix was sold to ASX-listed DWS Limited in 2015 with 240 consultants at the time of the sale. Andrew has a Diploma in Financial Markets, a Master of Science (Information Technology), he is a Member of the Australian Institute of Company Directors and a Senior Associate of FINSIA.

Michael Norster has been and is the major driving force in forming a number of successful start-up, Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and Executive Chairman of the Green Generation group of private companies, which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to ApplyDirect, Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications).

Mr Smedley is an experienced investment banker and M&A adviser, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A$9 billion defence of WMC Resources through to the investment of $65 million into Catch.com.au. Mr Smedley currently oversees investments in the property, aged care, technology and medical technology space. Key areas of expertise include M&A, debt structuring, corporate governance and innovation. He holds a Bachelor of Commerce from Monash University. Mr Smedley is currently the Executive Chairman of Respiri Limited (ASX: RSH).

**Brendan Kavenagh**
Managing Director & CEO
(Appointed 7 July 2021)

Mr Kavenagh has over 20 years in executive leadership roles within the technology recruitment and professional services industry with a successful background in building and executing sales strategies and leading teams to achieve highly successful growth results. Prior to AD1, he was CEO of Davidson Technology and Monitor Consulting between 2016 to 2020, where he implemented new operating models, sales strategies and led the company through a significant transitionary period resulting in high growth, high staff engagement and record company profits. Before that, Mr Kavenagh was General Manager (Victoria) for Ambit Technology, driving unprecedented YoY growth ultimately resulting in the sale of Ambit Technology to Peoplebank for approximately $100 million in 2008.

**Melissa Richardson**
Head of Art of Mentoring

Melissa is a respected Australian mentoring expert and a pioneer in the field. She has more than 20 years of experience developing mentoring and coaching programs for public and private sector organisations. Melissa founded Art of Mentoring and is a global assessor for the European Mentoring and Coaching Council's ISMCP award.

# DIRECTORS' REPORT

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of AD1 Holdings Limited (the "Company") and the entities it controlled (together, the "Group" or "AD1") at the end of, or during the year ended 30 June 2021.

## Directors

The following persons held office as Directors of the Company during the financial period and up to the date of this report, unless otherwise stated:

Mr Andrew Henderson (Non-Executive Chairman)

Mr Michael Norster (Non-Executive Director)

Mr Nicholas Smedley (Non-Executive Director)

Mr Prashant Chandra (Managing Director & CEO) (Resigned 7 July 2021)

Mr Brendan Kavenagh (Managing Director & CEO) (Appointed 7 July 2021)

## Principal activities

During the reporting period, the Group's principal activities are providing and delivering of software services and technology platforms to its customers, and other related supporting and consulting services.

## Dividends

No dividends have been paid or declared by the Company since the beginning of the financial year. No dividends were paid for the previous financial year.

## Review of operations

Refer to the Letter from the Managing Director & CEO on page 2 for details.

## Risks related to our business

The Group is subject to normal business risks, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations, and a range of other factors which are outside the control of the Board and management.

The Group has continued to diligently assess the unfolding situation of COVID-19, its impact on the business, and proactively put in place the necessary arrangements to ensure the continuity of its business operations.

More specific material risks of the operating sector and the Group include, but are not limited to:

| | |
|---|---|
| **Competition** | The Group operates in a competitive industry which is subject to increasing competition from companies in Australia and throughout the world, through a combination of established organisations and new entrants to the market. The Group cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in the HR and energy technology sectors. |
| **Failure to protect intellectual property** | The Group's proprietary cataloguing system and search engine is not protected through any patent or other form of registered intellectual property. The Group considers that, in practical terms, its proprietary cataloguing system and search engine are not likely to be capable of intellectual property registration. A lack of registered protection is likely to enhance the risk that the Group's intellectual property may be the subject of unauthorised disclosure or unlawfully infringed. The Group may need to incur substantial costs in monitoring, asserting or defending its intellectual property rights. |
| **Cyber security, computer crime and privacy breaches** | Increased cyber security threats and computer crime also pose a potential risk to the security of the Group's information technology systems, including those of contracted third-party service providers, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive employer, employee or investor information maintained in the ordinary course of business. Any such event could cause damage to reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events. |

| | |
|---|---|
| **Failure to execute strategic initiatives/ operating costs and margins** | The Group's strategy involves a significant expansion of its sales, marketing and business development teams. It will involve the Group in the recruitment of additional senior management personnel and the undertaking of an extensive multi-media brand recognition and awareness campaign. The ability of the Group to achieve growth of its business is dependent on the successful implementation of the Group's growth strategies, business plans and strategic initiatives. An inability to successfully implement these plans and initiatives, whether wholly or partially, could adversely affect the Group's operating and financial performance. |

## Significant changes in the state of affairs

The financial position and performance of the Group was particularly affected by the acquisition of Art of Mentoring Holdings Pty Ltd and its wholly-owned subsidiary, Art of Mentoring Pty Ltd ("Art of Mentoring") on 26 October 2020, which resulted in the recognition of goodwill and other intangible assets.

## Events since the end of the financial year

No additional matters or circumstances have occurred subsequent to the financial year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in future financial years.

## Likely developments and expected results of operations

There were no likely developments in the operations of the Group that were not finalised at the date of this report.

## Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations under Australian Commonwealth or state law.

## Information on Directors

### Andrew Henderson (Non-Executive Chairman)

| | |
|---|---|
| **Experience, expertise, and qualifications** | Andrew has over 20 years of experience in technology products and services businesses. Having worked in Asia in the early 2000s, he returned to Australia to found Phoenix IT&T Consulting Pty Ltd, where he was CEO and Executive Director for 13 years. Phoenix was sold to ASX-listed DWS Limited in 2015 with 240 consultants at the time of the sale. Andrew has a Diploma in Financial Markets, a Master of Science (Information Technology), he is a Member of the Australian Institute of Company Directors and a Senior Associate of FINSIA. |
| **Current or former directorships held in other listed entities within the last 3 years** | None |
| **Special responsibilities** | Member of the Audit & Risk Committee |
| **Interests in shares and options** | 5,323,988 ordinary shares<br>66,971,496 options over ordinary shares |

### Michael Norster (Non-Executive Director)

| | |
|---|---|
| **Experience, expertise, and qualifications** | Michael Norster has been and is the major driving force in forming a number of successful start-up Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and Executive Chairman of the Green Generation group of private companies, which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to ApplyDirect, Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a Director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications). |
| **Current or former directorships held in other listed entities within the last 3 years** | None |
| **Special responsibilities** | Chair of the Audit & Risk Committee |
| **Interests in shares and options** | 137,310,887 ordinary shares<br>68,360,384 options over ordinary shares |

### Nicholas Smedley (Non-Executive Director)

| | |
|---|---|
| **Experience, expertise, and qualifications** | Mr Smedley is an experienced investment banker and M&A adviser, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A$9 billion defence of WMC Resources through to the investment of $65 million into Catch.com.au. Mr Smedley currently oversees investments in the property, aged care, technology and medical technology space. Key areas of expertise include M&A, debt structuring, corporate governance and innovation. He holds a Bachelor of Commerce from Monash University. Mr Smedley is currently the Executive Chairman of Respiri Limited (ASX: RSH). |
| **Current or former directorships held in other listed entities within the last 3 years** | Respiri Limited (ASX: RSH) – from 30 October 2019 to current |
| **Special responsibilities** | None |
| **Interests in shares and options** | 68,888,313 ordinary shares<br>66,971,496 options over ordinary shares |

### Prashant Chandra (Managing Director & CEO) – resigned 7 July 2021

| | |
|---|---|
| **Experience, expertise, and qualifications** | Prashant is a successful executive with extensive experience in leading and transforming finance and operations functions across professional services, technology, supply chain and logistics and human resources sectors. He was appointed Managing Director of AD1 on 22 October 2019. Previously, he held the CFO and Company Secretary position of the Company since May 2018. Prashant was instrumental in leading the successful integration of Utility Software Services Pty Ltd. Prior to joining the Company, Prashant held several leadership roles with Adecco Group Australia (Financial Controller/Director) and efm Logistics Group Pty Ltd (Chief Financial Officer) (FMH Group). |
| **Current or former directorships held in other listed entities within the last 3 years** | None |
| **Special responsibilities** | None |
| **Interests in shares and options** | 222,222 ordinary shares<br>5,300,000 options over ordinary shares |

| Brendan Kavenagh (Managing Director & CEO) – Appointed 7 July 2021 | |
|---|---|
| **Experience, expertise, and qualifications** | Mr Kavenagh has over 20 years in executive leadership roles within the technology recruitment and professional services industry with a successful background in building and executing sales strategies and leading teams to achieve highly successful growth results. Prior to AD1, he was CEO of Davidson Technology and Monitor Consulting between 2016 to 2020, where he implemented new operating models, sales strategies and led the company through a significant transitionary period resulting in high growth, high staff engagement and record company profits. Before that, Mr Kavenagh was General Manager (Victoria) for Ambit Technology driving unprecedented YoY growth ultimately resulting in the sale of Ambit Technology to Peoplebank for approximately $100 million in 2008. |
| **Current or former directorships held in other listed entities within the last 3 years** | None |
| **Special responsibilities** | None |
| **Interests in shares and options** | 30,000 ordinary shares<br>15,000,000 options over ordinary shares |

## Company Secretaries

The Company Secretaries are Mr Prashant Chandra (resigned 7 July 2021) and Mr Harvey Bui.

## Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2021, and the numbers of meetings attended by each Director were:

| | | | Committee[2] | | | |
|---|---|---|---|---|---|---|
| | Full Board | | Audit & Risk | | Remuneration | |
| **Director** | **Attended** | **Held[1]** | **Attended** | **Held[1]** | **Attended** | **Held[1]** |
| Andrew Henderson | 4 | 4 | 6 | 6 | 1 | 1 |
| Michael Norster | 4 | 4 | 6 | 6 | 1 | 1 |
| Prashant Chandra | 4 | 4 | 6 | 6 | 1 | 1 |
| Nicholas Smedley | 4 | 4 | 6 | 6 | 1 | 1 |

1. Reflects the number of meetings held in the time the Director held office during the year.
2. Committee meetings are open to all Directors to attend.

## Remuneration report

The Directors present the AD1 2021 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The report is structured as follows:

(a) Principles used to determine the nature and amount of remuneration

(b) Details of remuneration

(c) Service agreements

(d) Share-based compensation

(e) Relationship between the remuneration policy and Group performance

(f) Key Management Personnel disclosures

### (a) Principles used to determine the nature and amount of remuneration

#### Remuneration governance

Remuneration in respect of Directors and executives of the Group is overseen by the full Board of Directors of AD1 Group.

The Board of Directors of the Group will ensure that the Group has coherent remuneration policies and practices to attract, motivate and retain Executives and Directors who will create value for shareholders and who are appropriately skilled and diverse; observe those remuneration policies and practice; fairly and responsibly reward executives having regard to the Group and individual performance, the performance of the executives and the general external pay environment; and integrate human capital and organisational issues into its overall business strategy.

Remuneration will be reviewed on at least an annual basis with consideration given to individuals' performance and their contribution to the Group's success (against measurable key performance indicators), external market relativities, shareholders' interests and desired market positioning.

The Board will review the remuneration of executive and Non-Executive Directors and other executives having regard to any recommendations made by the Chief Executive Officer of the Group and other external advisers, including legal counsel.

#### Executive remuneration

Executive remuneration consists of fixed remuneration, equity-based remuneration, and termination payments such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

#### Non-Executive Director remuneration

Non-Executive Director remuneration consists of fixed remuneration, equity-based remuneration and superannuation.

#### Fixed remuneration

Executive and Non-Executive Directors are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards, which should be reasonable and fair; take into account the Group's legal and industrial obligations and labour market conditions; be relative to the scale of the Group's business; reflect core performance requirements and expectations; and take into account incumbent skills and experience, and the time commitment and responsibilities of the role.

#### Variable performance-based remuneration

The Group does not pay any variable performance-based remuneration to its Directors and executives.

#### Equity-based remuneration

This can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Group's longer-term performance objectives. It should also take into account executive performance. However, programs should be designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks.

#### Termination payments

All Directors and executives are not entitled to retirement benefits others than superannuation or those required under law.

#### Securities trading policy

The trading of Group's securities by employees and Directors is subject to, and conditional upon, the Policy for Trading in Company Securities, which is available on AD1's website at www.ad1holdings.com.au.

## (b) Details of remuneration

Key Management Personnel (KMP) of AD1 are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group receiving the highest remuneration. Details of the remuneration of the KMP of the Group are set out in the following tables.

The following persons held office as Directors of AD1 during the whole of the financial year and up to the date of this report:

Mr Andrew Henderson (Non-Executive Chairman)

Mr Michael Norster (Non-Executive Director)

Mr Nicholas Smedley (Non-Executive Director)

Mr Prashant Chandra (Managing Director & CEO) (Resigned 7 July 2021)

Mr Brendan Kavenagh (Managing Director & CEO) (Appointed 7 July 2021)

There are no other Key Management Personnel other than those stated above.

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Loss per share (cents) | **(0.39)** | (0.41) | (1.50) | (2.65) | (2.90) |
| Net loss | **(2,219,600)** | (2,181,158) | (4,382,111) | (4,748,183) | (4,480,161) |
| Share price ($) | **0.037** | 0.010 | 0.010 | 0.050 | 0.14 |

### KMP remuneration for the current and previous financial year:

| | Short-term benefits | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees[1] | Bonus | Superannuation | Long service leave | Equity-settled shares | Equity-settled options[2] | Total |
| **Post-employment benefits** | $ | $ | $ | $ | $ | $ | $ |
| **2021** | | | | | | | |
| ***Directors:*** | | | | | | | |
| Andrew Henderson | **55,000** | – | – | – | – | **483,416** | **538,416** |
| Michael Norster | **36,667** | – | **3,483** | – | – | **483,416** | **523,566** |
| Prashant Chandra | **308,702** | – | **19,250** | **12,147** | – | **64,198** | **404,296** |
| Nicholas Smedley | **40,150** | – | – | – | – | **483,416** | **523,566** |
| | **440,519** | – | **22,733** | 12,147 | – | **1,514,445** | **1,989,843** |
| **2020** | | | | | | | |
| ***Directors:*** | | | | | | | |
| Andrew Henderson | 59,000 | – | – | – | – | – | 59,000 |
| Michael Norster | 39,333 | – | 3,737 | – | – | – | 43,070 |
| Bryan Petereit (until 22 October 2019) | 201,597 | – | 7,001 | – | – | – | 208,597 |
| Prashant Chandra (from 22 October 2019) | 288,221 | – | 20,651 | 3,734 | – | 14,378 | 326,985 |
| Nicholas Smedley (from 6 March 2020) | 13,206 | – | – | – | – | – | 13,206 |
| ***Other Key Management Personnel*** | | | | | | | |
| Mr Daniel Pludek (until 10 June 2020) | 233,682 | – | 19,885 | – | – | – | 253,567 |
| | **835,040** | – | **51,274** | **3,734** | – | **14,378** | **904,426** |

1. Cash salary and fees: Include movements in annual leave liability and leave entitlements payout upon termination of employment.
2. Equity settled options: The value of options granted is expensed over the vesting period and are a non-cash accounting expense.

The remuneration details above, for both financial years were 100% not related to performance.

## (c) Service agreements

| **Name:** | **Andrew Henderson** |
|---|---|
| Title: | Non-Executive Chairman |
| Agreement commenced: | 19 March 2019 |
| Term of agreement: | Open |
| Details: | On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment. |

| **Name:** | **Michael Norster** |
|---|---|
| Title: | Non-Executive Director |
| Agreement commenced: | 29 May 2018 |
| Term of agreement: | Open |
| Details: | On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment. |

| **Name:** | **Prashant Chandra** |
|---|---|
| Title: | Managing Director & CEO |
| Agreement commenced: | 22 October 2019 (Resigned 7 July 2021) |
| Term of agreement: | Open |
| Details: | On termination, resignation, retirement or removal from office for any reason, the CEO shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CEO in respect of his retirement or any unexpired portion of the term of his appointment. |

| **Name:** | **Nicholas Smedley** |
|---|---|
| Title: | Non-Executive Director |
| Agreement commenced: | 6 March 2020 |
| Term of agreement: | Open |
| Details: | On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment. |

| **Name:** | **Brendan Kavenagh** |
|---|---|
| Title: | Non-Executive Director |
| Agreement commenced: | 7 July 2021 |
| Term of agreement: | Open |
| Details: | On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment. |

## (d) Share-based compensation

### Issue of shares

During the year ended 30 June 2021, there have been no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

### Issue of options over ordinary shares

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2021 is set out below:

| Name | No. of options granted during the year[1] | No. of options granted during the prior year | No. of options vested during the year | No. of options vested during the prior year |
|---|---|---|---|---|
| Andrew Henderson | 65,000,000 | – | – | – |
| Michael Norster | 65,000,000 | – | – | – |
| Prashant Chandra | 15,000,000 | 4,500,000 | – | – |
| Nicholas Smedley | 65,000,000 | – | – | – |

1. On 27 November 2020, the Directors were issued ordinary options as proposed in the 2020 AGM. Please refer to Company announcement "Appendix 3G – Options approved at AGM (LTI options)" on 24 December 2020 for further details.

Options granted carry no dividend or voting rights.

There were no options held by the Directors of other key management personnel which were exercised or lapsed during the year.

## (e) Relationship between the remuneration policy and Group performance

Remuneration of Executives consists of an unrisked element (base pay) and share bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

Non-Executive Directors' remuneration is not affected by the Group performance.

## (f) Key management personnel disclosures

### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

| Name | Balance at the start of the year | Received as part of remuner-ation | Purchases | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Andrew Henderson | 4,651,765 | – | 672,223 | – | 5,323,988 |
| Michael Norster | 137,060,887 | – | 250,000 | – | 137,310,887 |
| Prashant Chandra | 222,222 | – | – | – | 222,222 |
| Nicholas Smedley | 68,238,313 | – | 650,000 | – | 68,888,313 |

### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

| Name | Balance at the start of the year | Granted as remuner-ation | Exercised | Expired, forfeited and other | Balance at the end of the year |
|---|---|---|---|---|---|
| Andrew Henderson | 444,444 | 65,000,000 | – | 1,527,052 | 66,971,496 |
| Michael Norster | 2,055,555 | 65,000,000 | – | 1,304,829 | 68,360,384 |
| Prashant Chandra | 5,411,111 | 15,000,000 | – | (111,111) | 20,300,000 |
| Nicholas Smedley | – | 65,000,000 | – | 1,971,496 | 66,971,496 |

## Shares under options

### (a) Unissued ordinary shares

Unissued ordinary shares under options of the Company as at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Options over ordinary shares |
|---|---|---|---|
| 9-Mar-18 | 8-Mar-22 | **$0.250** | **1,250,000** |
| 4-Oct-18 | 4-Oct-21 | **$0.060** | **8,555,547** |
| 21-Dec-18 | 21-Dec-21 | **$0.060** | **2,777,776** |
| 24-Jul-19 | 23-Jul-24 | **$0.050** | **1,500,000** |
| 24-Jul-19 | 23-Jul-24 | **$0.075** | **1,500,000** |
| 24-Jul-19 | 23-Jul-24 | **$0.100** | **1,500,000** |
| 15-Jun-20 | 14-Jun-24 | **$0.020** | **150,000** |
| 15-Jun-20 | 14-Jun-25 | **$0.020** | **150,000** |
| 23-Jul-20 | 22-Jul-24 | **$0.050** | **666,666** |
| 23-Jul-20 | 22-Jul-24 | **$0.075** | **666,666** |
| 23-Jul-20 | 22-Jul-24 | **$0.100** | **666,668** |
| 27-Nov-20 | 27-Nov-22 | **$0.077** | **5,914,488** |
| 27-Nov-20 | 27-Nov-25 | **$0.100** | **10,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.200** | **67,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.300** | **34,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.400** | **34,000,000** |
| 27-Nov-20 | 23-Dec-25 | **$0.100** | **75,000,000** |
| | | | **245,297,811** |

### (b) Shares issued upon the exercise of options

During the current financial year, no ordinary shares were issued upon the exercise of options.

## Proceedings on behalf of the Company

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

## Insurance of officers and indemnities

The Group has indemnified the Directors and Executives of the Group for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Insurance of auditors and indemnities

The Group has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditors. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditors of the Group or any related entity.

## Non-audit services

There have been no amounts paid or payable to the current auditors for non-audit services provided during the year.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

## Corporate Governance Statement

In accordance with ASX listing Rule 4.10.3, the Company's 2021 Corporate Governance Statement can be found on its website at www.ad1holdings.com.au.

The Directors' Report has been issued following a resolution of the Directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.

For and on behalf of the Board,

**Mr Brendan Kavenagh**
Managing Director & CEO

Melbourne
30 September 2021

# AUDITOR'S INDEPENDENCE DECLARATION

PKF

**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AD1 HOLDINGS LIMITED**

In relation to our audit of the financial report of AD1 Holdings Limited for the year ended 30 June 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**PKF**
**Melbourne, 30 September 2021**

**Kenneth Weldin**
**Partner**

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

| | Notes | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue from contracts with customers | 4 | **5,338,590** | 3,400,947 |
| Other income | 5 | **705,199** | 251,069 |
| Interest income | | **9** | 2,899 |
| | | **6,043,798** | 3,654,915 |
| | | | |
| **Expenses** | | | |
| Employee benefit expense | 6 | **(4,798,393)** | (2,933,314) |
| Software development and other IT expense | | **(925,433)** | (1,214,419) |
| Consulting and professional service expense | | **(1,785,160)** | (1,024,206) |
| Advertising and marketing expense | | **(139,463)** | (74,634) |
| Occupancy, utilities and office expense | | **(124,379)** | (149,052) |
| Depreciation and amortisation expense | 6 | **(440,485)** | (227,013) |
| Travel expense | | **(18,421)** | (27,413) |
| Interest expense | 6 | **(32,012)** | (17,238) |
| Other expense | | **346** | (132,567) |
| **Total expenses** | | **(8,263,398)** | (5,799,856) |
| **Loss before income tax** | | **(2,219,600)** | (2,144,941) |
| Income tax expense | 8 | **–** | (36,217) |
| **Loss for the year** | | **(2,219,600)** | (2,181,158) |
| | | | |
| **Other comprehensive income** | | | |
| ***Other comprehensive income for the year, net of tax*** | | **–** | – |
| | | | |
| **Total comprehensive loss for the year** | | **(2,219,600)** | (2,181,158) |
| | | | |
| **Earnings per share attributable to the ordinary equity holders of the Group:** | | | |
| Basic earnings per share | 7 | **(0.39)** | (0.41) |
| Diluted earnings per share | 7 | **(0.39)** | (0.41) |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Notes | 30 June 2021 $ | 30 June 2020 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | **523,434** | 459,742 |
| Trade and other receivables | 10 | **1,873,287** | 771,073 |
| **Total current assets** | | **2,396,721** | 1,230,815 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **103,716** | 177,397 |
| Other non-current assets | | **82,327** | 82,327 |
| Intangible assets | 12 | **6,544,477** | 1,473,158 |
| **Total non-current assets** | | **6,730,520** | 1,732,882 |
| | | | |
| **Total assets** | | **9,127,241** | 2,963,697 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **1,555,157** | 490,509 |
| Employee benefit obligations | 15 | **302,666** | 157,986 |
| Current tax liabilities | | **437,680** | 525,216 |
| Lease liability | 19 | **54,224** | 85,690 |
| Contract Liability | 4(c) | **492,867** | 80,099 |
| Other liabilities | 13 | **1,290,313** | – |
| **Total current liabilities** | | **4,132,907** | 1,339,500 |
| | | | |
| **Non-current liabilities** | | | |
| Employee benefit obligations | 15 | **57,120** | 24,100 |
| Lease liability | 19 | **–** | 48,187 |
| Other liabilities | 13 | **1,241,827** | – |
| **Total non-current liabilities** | | **1,298,947** | 72,287 |
| | | | |
| **Total liabilities** | | **5,431,854** | 1,411,787 |
| **Net assets** | | **3,695,387** | 1,551,910 |
| | | | |
| **EQUITY** | | | |
| Share capital | 16 | **29,156,778** | 26,368,683 |
| Reserve | 17 | **1,606,434** | 53,702 |
| Accumulated losses | | **(27,067,825)** | (24,870,475) |
| **Total equity** | | **3,695,387** | 1,551,910 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

| | Notes | Share capital $ | Reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | | 24,535,633 | 598,198 | (23,245,867) | 1,887,964 |
| Adjustment – adoption of AASB 16 | | – | – | (7,252) | (7,252) |
| Adjusted balance at 1 July 2019 | | 24,535,633 | 598,198 | (23,253,119) | 1,880,712 |
| Loss for the year | | – | – | (2,181,158) | (2,181,158) |
| **Total comprehensive loss for the year** | | – | – | (2,181,158) | (2,181,158) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued | | 1,833,050 | – | – | 1,833,050 |
| Options granted | | – | 4,476 | – | 4,476 |
| Options expired/forfeited | | – | (564,490) | 563,802 | (688) |
| Share-based payment expense | | – | 15,518 | – | 15,518 |
| | | 1,833,050 | (544,496) | 563,802 | 1,852,356 |
| **Balance at 30 June 2020** | | 26,368,683 | 53,702 | (24,870,475) | 1,551,910 |
| **Opening balance at 1 July 2021** | | **26,368,683** | **53,702** | **(24,870,475)** | **1,551,910** |
| Loss for the year | | **–** | **–** | **(2,219,600)** | **(2,219,600)** |
| **Total comprehensive loss for the year** | | **–** | **–** | **(2,219,600)** | **(2,219,600)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued | 16(b) | **2,500,000** | **–** | **–** | **2,500,000** |
| Options granted | 17(b) | **–** | **1,561,679** | **–** | **1,561,679** |
| Capital raising costs | | **(212,463)** | **–** | **–** | **(212,463)** |
| Business acquisition | 20 | **500,558** | **–** | **–** | **500,558** |
| Options expired/forfeited | 17(b) | **–** | **(22,254)** | **22,250** | **(4)** |
| Share-based payment expense | 17(b) | **–** | **13,307** | **–** | **13,307** |
| | | **2,788,095** | **1,552,732** | **22,250** | **4,363,077** |
| **Balance at 30 June 2021** | | **29,156,778** | **1,606,434** | **(27,067,825)** | **3,695,387** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

| | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **5,003,082** | 3,638,091 |
| Payments to suppliers and employees | | **(5,698,796)** | (6,308,374) |
| Government grants and tax incentives (less costs) | | **548,859** | 584,198 |
| Income taxes paid | | **(87,536)** | – |
| Interest income | | **9** | 2,899 |
| Interest and other costs of finance paid | | **(20,359)** | (7,350) |
| **Net cash (outflow) from operating activities** | 23 | **(254,741)** | (2,090,536) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(29,691)** | (14,738) |
| Office security bond | | **–** | (14,627) |
| Payments for Software Development | | **(1,013,062)** | – |
| Acquisition of Art of Mentoring Pty Ltd (net of cash acquired) | | **(894,650)** | – |
| **Net cash (outflow) from investing activities** | | **(1,937,403)** | (29,364) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities | | **2,500,000** | 1,833,050 |
| Capital raising costs | | **(122,463)** | – |
| Transaction costs related to loans and borrowings | | **(17,500)** | – |
| Repayments of lease liabilities | | **(104,201)** | (92,395) |
| **Net cash inflow from financing activities** | | **2,255,836** | 1,740,655 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **63,692** | (379,245) |
| Cash and cash equivalents at the beginning of the financial year | | **459,742** | 838,987 |
| **Cash and cash equivalents at end of period** | | **523,434** | 459,742 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information and basis of preparation

### (a) Corporate information

The financial statements cover AD1 Holdings Limited (formerly ApplyDirect Limited) (the "Company") and its controlled entity (together referred to as, we, us, our, AD1, Group) for the year ended 30 June 2021. The Company is a 'for profit' company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Group's principal activities are providing and delivering of software services and technology platforms to its customers, and other related supporting and consulting services.

### (b) Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the acquisition of 100% equity interest in Art of Mentoring Holdings Pty Ltd and its wholly-owned subsidiary, Art of Mentoring Pty Ltd ("Art of Mentoring") on 26 October 2020 which resulted in the recognition of goodwill and other intangible assets.

### (c) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a 'for-profit' entity for the purpose of preparing the financial statements.

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

#### (i) Compliance with IFRS

The financial statements of AD1 comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments to fair value.

#### (iii) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

#### (iv) Principles of consolidation

These financial statements include the assets and liabilities of the Company and its controlled entity as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entity from the date on which we gain control until the date we cease control.

The acquisition method of accounting is used to account for business combinations by the Group – refer to note 3(d). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The financial statements of the controlled entity are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

### (d) Going concern

During the year ended 30 June 2021, the Group recorded a consolidated loss of $2,219,600 (2020: $2,181,158), net current liabilities of $1,736,186 (2020: $108,685) and net cash outflow from operating activities of $254,741 (2020: $2,090,536). These conditions indicate a material uncertainty that may cast doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the Group as a going concern, the Directors have considered the following:

- recent contract wins, existing revenue streams and the revenue pipeline of the Group;
- existing debt facility in place to support revenue generating opportunities;
- the Group's historical track record in successfully raising capital to support growth and expansion as required; and
- the Group's ability to consider available non-dilutive funding alternatives should there be a requirement to manage any short-term timing impacts to the cash flows.

Based on these factors, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgments and have concluded that the range of possible outcomes considered in arriving at this supports the entity's ability to continue as a going concern as at the date of this report.

Accordingly, the financial statements have been prepared on a going concern basis, which contemplates that continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business, and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

## 2. New and amended standards and interpretations

### (a) New and amended standards adopted by the Group

There were no other accounting pronouncements which have become effective from 1 July 2020 and have therefore been adopted, that have a significant impact on the Group's financial results or position.

### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

## 3. Significant accounting policies

### (a) Revenue from contracts with customers

Revenue arises mainly from managed services, IT development and consulting and digital marketing.

To determine whether to recognise revenue, the Group follows a five-step process:

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognise the revenue when/as performance obligation(s) are satisfied

The Group enters into transactions involving a range of the Group's products and services, for example for the delivery of managed services, IT consulting, software development, etc. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

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 contract liability in the 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 statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### (i) Revenue from rendering of services

Revenue from rendering of services include SaaS and managed services and digital marketing.

SaaS and managed services relate to access to, and use of, software including associated hosting and maintenance. This service is considered a single performance obligation as the customer simultaneous receives and consumes the benefit as the services are rendered. Managed services also include business process outsourcing, which relates to provision of various front and back of house services as detailed in the customer contract. As the services provided can be reliably measured as having been rendered and consumed by the customer, revenue is recognised on a straight-line basis monthly over the life of the contract in line with the service period.

Digital marketing services relates to promotion of employer jobs and other marketing campaigns advertised on AD1 websites. Revenue is recognised on a monthly basis over the campaign or service period.

### (ii) Revenue from fees

Revenue from fees include IT development and consulting.

IT development activities relate to services involving initial development and implementation of software, subsequent functionality enhancements and new integrations. Consulting is IT professional services offered as a complement to the broader range of services provided by the Group. Revenue for IT development and consulting is recognised at fair value and where applicable, when services are rendered and invoiced on a time and materials basis or for larger IT projects, when the fulfilment of each performance obligation (milestone) as defined in the commercial contract is satisfied.

## (b) Government grants

The research and development ("R&D") tax offset ("R&D tax offset"), also known as the R&D Tax Incentive, replaced the R&D Tax Concession for research and development expenditure incurred in income years commencing on or after 1 July 2011. It provides for a 43.5% refundable tax offset for eligible R&D entities with an aggregated turnover of less than $20 million per annum that are not controlled by exempt entities ("refundable R&D credit"), or a non-refundable 38.5% tax offset for all other eligible companies.

For financial reporting purposes, the R&D tax offset can be analogised as a government grant or an income tax item. General practice is that refundable R&D credits are accounted for as government grants.

The Directors have considered AASB 112 *Income Taxes* ("AASB 112") and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* ("AASB 120"). Given the above the Directors have determined to recognise the R&D amount in accordance with AASB 120.

Government grants are recognised as income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

## (c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

### Tax consolidated group

Under Australian taxation law, the Company added its newly acquired Australian wholly-owned entity (member) into the tax consolidated group from 26 October 2020 and are treated as a single entity for income tax purposes. The Company is the head entity of the Group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the Group.

Entities within the tax consolidated group have entered into a tax sharing agreement and a tax funding agreement with the head entity. The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its Group payment obligations and the treatment where a member exits the tax consolidated Group.

Under the tax funding agreement, the head entity and each of the members have agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the members. The Company will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

There are no amounts receivable or payable by the Company or members under the tax funding agreement in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

## (d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any assets or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## (e) Cash and cash equivalents

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

## (f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Impairment

For trade receivables, the Group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of trade and other receivables. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

## (g) Plant and equipment

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

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts. Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised as the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on a straight-line basis over the asset's estimated useful life to the Group commencing from the time the asset is held ready for use. The useful life for each class of depreciable assets is:

- Computer equipment 1-3 years
- Plant and equipment 2-5 years
- Furniture and fittings 2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## (h) Intangible assets

### (i) Goodwill

Goodwill is measured as described in note 3(d). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

### (ii) Licences and customer contracts

Separately acquired licences are shown at historical cost. Licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

### (iii) Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, over their useful life.

### (iv) Research and development

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure, and the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Development costs are capitalised only in accordance with this accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

### (v) Amortisation methods and periods

Refer to note 12(a) for details about amortisation methods used by the Group for intangible assets.

## (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## (j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## (k) Contract liabilities

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under contract liabilities.

## (l) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## (m) Employee benefits

### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

### (ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

## (n) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan and an employee share scheme collectively known as employee equity incentive pan ("EEIP"). In addition to this, other share-based payments are undertaken for certain goods and services provided to the Group.

The fair value of Options granted under the EEIP is recognised as an employee benefits expense with a corresponding increase in equity (other share-based payments are recognised in the statement of profit or loss or directly in equity depending upon goods or services received).

The total amount to be expensed is determined by reference to the fair value of the Options granted, which included any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. 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-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The EEIP is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Under the EEIP, participants may be granted Shares, Options and/ or performance rights. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the EEIP or to receive any guaranteed benefits.

## (o) Leases

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### *Measurement and recognition of leases as a lessee:*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

## (p) 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.

## (q) Earnings per share

### (i) Earnings loss per share

Basic earnings per share is calculated by dividing:

- the loss attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

### (ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## (r) Goods and Services Tax (GST)

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

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

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

## (s) Operating segment

The Group operates in one segment, being the provision and delivery of software services and technology platforms to its customers, and other related supporting and consulting services. The segment details are therefore fully reflected in the body of the financial report.

## (t) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

### (i) Deferred tax assets

The Group has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 *Income Taxes* and the fact the Group has not previously generated taxable income.

### (ii) Intangible assets

Licenses and customer contracts acquired in a business combination are recognised at fair value on acquisition date. In the process of determining this value, management has exercised judgement and estimation on the useful life of the assets.

### (iii) Share-based payments

The determination of the fair value of options granted requires the utilisation of numerous variables. The fair value at grant date was determined using a binomial, Black-Scholes or barrier option pricing model.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

### (iv) Impairment of goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

## 4. Revenue from contracts with customers

### (a) Disaggregation of revenue from contracts with customers:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Rendering of services disaggregation:* | | |
| Managed services (including SaaS and business process outsourcing) | **3,713,664** | 2,556,058 |
| IT development and consulting | **1,624,926** | 823,208 |
| Digital marketing | **–** | 21,681 |
| | **5,338,590** | **3,400,947** |
| *Timing of revenue recognition:* | | |
| At a point in time | **1,764,166** | 823,208 |
| Over time | **3,574,424** | 2,577,739 |
| | **5,338,590** | **3,400,947** |

### (b) Information about major customers:

The Group had the following major customers with revenues amounting to 10% or more of the total Group revenues:

| | 2021<br>% | 2020<br>% |
|---|---|---|
| Customer A | **32** | 43 |
| Customer B | ***** | 16 |
| Customer C | **21** | 14 |

* Less than 10%.

### (c) Contract liabilities

Contract liabilities include deferred service income from payments received or invoices issued in advance of performance that are expected to be recognised as revenue within the next reporting period.

## 5. Other income

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Research and development tax incentive | **629,973** | 251,069 |
| Changes in contingent consideration liability | **75,226** | – |
| | **705,199** | **251,069** |

## 6. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Employee benefit expense* | | |
| Share-based payment | **1,484,982** | 19,305 |
| Salaries and wages | **2,657,075** | 2,732,625 |
| Superannuation | **274,862** | 250,949 |
| Other employee related expenses | **381,473** | (70,161) |
| | **4,798,393** | **2,933,314** |
| *Depreciation and amortisation expense* | | |
| Depreciation of right-of-use assets | **97,243** | 78,131 |
| Depreciation of other property, plant and equipment | **19,024** | 25,189 |
| Amortisation of intangible assets | **323,794** | 123,693 |
| | **440,061** | **227,013** |
| *Interest expense* | | |
| Interest expense on lease liability | **11,653** | 9,888 |
| Other interest expenses | **20,359** | 7,350 |
| | **32,012** | **17,238** |

## 7. Earnings per share

### (a) Basic and diluted earnings per share

| | 2021<br>Cents | 2020<br>Cents |
|---|---|---|
| Basic earnings per share | **(0.39)** | (0.41) |
| Diluted earnings per share | **(0.39)** | (0.41) |

### (b) Reconciliation of loss used in calculating earnings per share

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share | **(2,219,600)** | (2,181,158) |

### (c) Weighted average number of shares used as denominator

| | 2021<br>No. of shares | 2019<br>No. of shares |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | **570,237,752** | 532,061,638 |

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2021 and 30 June 2020 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

## 8. Income tax expense

### (a) Income tax expense

| | 2021 $ | 2020 $ |
|---|---|---|
| Current tax | – | – |
| Adjustment to tax liabilities of USS (pre-acquisition) | – | 36,217 |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2021 $ | 2020 $ |
|---|---|---|
| Loss from continuing operations before income tax expense | **(2,219,600)** | (2,144,941) |
| Tax at the Australian tax rate of 26.0% (2020: 27.5%) | **(577,096)** | (589,859) |
| *Tax effect of amounts which are not deductible (taxable) in calculating taxable income:* | | |
| Non-assessable R&D rebate | **(133,893)** | (69,044) |
| Non-allowable expenses | **456,310** | 100,718 |
| Tax losses and other timing differences for which no DTA is recognised | **254,679** | 558,185 |
| **Income tax expense** | **–** | **–** |

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 26.0% (2020: 27.5%) disclosed in the table below have not been recognised given the recognition requirements of AASB 112 and the fact the Group has not previously generated taxable income.

| | 2021 $ | 2019 $ |
|---|---|---|
| *Deferred tax assets not recognised at the reporting date* | | |
| Unused tax losses | **21,461,855** | 20,482,320 |
| **Potential tax benefit at 26.0% (2020: 27.5%)** | **5,580,082** | **5,632,638** |

## 9. Cash and cash equivalents

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Cash at bank | **523,435** | **459,742** |

## 10. Trade and other receivables

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Trade receivables | **660,936** | 213,606 |
| Unbilled revenue | **536,795** | 179,071 |
| Prepayments | **133,304** | 33,651 |
| Other receivable | **514,973** | 42,000 |
| R&D tax claim receivable | **27,279** | 308,314 |
| Less: allowance for expected credit losses | **–** | (5,569) |
| | **1,873,287** | **771,073** |

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

### Allowance for expected credit losses

The Group has recognised a loss of $0 (2020: ($5,569)) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021. Note 25(b) includes disclosures relating to the credit risks exposures and analysis relating to the allowance for expected credit losses.

## 11. Property, plant and equipment

| | Office furniture and equipment $ | Right-of-use asset $ | Total $ |
|---|---|---|---|
| As at 30 June 2019 | | | |
| Cost | 134,088 | – | 134,088 |
| Accumulated depreciation | (77,241) | – | (77,241) |
| **Net book value** | **56,847** | **–** | **56,847** |
| *Movements:* | | | |
| Opening net book value | 56,847 | – | 56,847 |
| Adjustment – adoption of AASB 16 | – | 35,413 | 35,413 |
| Additions | 14,738 | 173,719 | 188,457 |
| Disposals | – | – | – |
| Depreciation charge | (25,189) | (78,131) | (103,320) |
| **Closing net book value** | **46,396** | **131,001** | **177,397** |
| **As at 30 June 2020** | | | |
| Cost | **142,425** | **386,199** | **528,624** |
| Accumulated depreciation | **(96,029)** | **(255,198)** | **(351,227)** |
| **Net book value** | **46,396** | **131,001** | **177,397** |
| *Movements:* | | | |
| Opening net book value | **46,396** | **131,001** | **177,397** |
| Adjustment – adoption of AASB 16 | **–** | **12,895** | **12,895** |
| Additions | **29,691** | **–** | **29,691** |
| Disposals | **–** | **–** | **–** |
| Depreciation charge | **(19,024)** | **(97,243)** | **(116,267)** |
| **Closing net book value** | **57,063** | **46,653** | **103,716** |
| **As at 30 June 2021** | | | |
| Cost | **171,354** | **399,094** | **570,448** |
| Accumulated depreciation | **(114,291)** | **(352,440)** | **(466,732)** |
| **Net book value** | **57,063** | **46,653** | **103,716** |

Information on the right-of-use assets is presented in note 19(a).

## 12. Intangible assets

| | Goodwill (Restated) $ | Software and licences $ | Customer contracts $ | Total $ |
|---|---|---|---|---|
| As at 30 June 2019 | | | | |
| Cost | 1,195,139 | 201,801 | 223,198 | 1,620,138 |
| Accumulated amortisation | – | (11,057) | (12,230) | (23,287) |
| **Net book value** | **1,195,139** | **190,744** | **210,968** | **1,596,851** |
| | | | | |
| *Movements:* | | | | |
| Opening net book value | 1,195,139 | 190,744 | 210,968 | 1,596,851 |
| Amortisation and/or impairment charge | – | (40,692) | (83,001) | (123,693) |
| **Closing net book value** | **1,195,139** | **150,052** | **127,967** | **1,473,158** |
| | | | | |
| **As at 30 June 2020** | | | | |
| Cost | **1,195,139** | **201,801** | **223,198** | **1,620,138** |
| Accumulated amortisation | **–** | **(51,749)** | **(95,231)** | **(146,980)** |
| **Net book value** | **1,195,139** | **150,052** | **127,967** | **1,473,158** |
| | | | | |
| *Movements:* | | | | |
| Opening net book value | **1,195,139** | **150,052** | **127,967** | **1,473,158** |
| Acquisitions via business combinations | **2,758,052** | **1,093,000** | **531,000** | **4,382,052** |
| Additions | **–** | **1,013,062** | **–** | **1,013,062** |
| Amortisation and/or impairment charge | **–** | **(213,415)** | **(110,379)** | **(323,794)** |
| **Closing net book value** | **3,953,191** | **2,042,699** | **548,588** | **6,544,478** |
| | | | | |
| **As at 30 June 2021** | | | | |
| Cost | **3,953,191** | **2,307,863** | **754,198** | **7,015,252** |
| Accumulated amortisation | **–** | **(265,164)** | **(205,610)** | **(470,774)** |
| **Net book value** | **3,953,191** | **2,042,699** | **548,588** | **6,544,478** |

### (a) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Software and licences: 5 years
- Customer contracts: 3-6 years

See note 1(h) for other accounting policies relevant to intangible assets and note 1(i) the Group's policy regarding impairments.

The customer contracts were acquired as part of a business combination in the prior year. They were 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.

### (b) Impairment test for goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash-generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The following key assumptions are used:

USS:

- Discount rate is the weighted average cost of capital (WACC) for the group, estimated at 10.9% per annum.
- Revenue growth rate of between 20% to 25% per annum from FY22 to FY26, generating an annual gross margin of 25% to 30%.
- Overheads % of revenue rate of between 20% to 30% per annum from FY22 to FY26.
- Terminal value is calculated based on a growth rate of 1% per annum.

AoM:

- Discount rate is the weighted average cost of capital (WACC) for the group, estimated at 10% per annum.
- Revenue growth rate of between 20% to 30% per annum from FY22 to FY26, generating an annual gross margin of 35% to 45%.
- Overheads % of revenue rate of between 20% to 30% per annum from FY22 to FY26.
- Terminal value is calculated based on a growth rate of 1% per annum.

The inherent nature of future projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including revenue growth, gross margin, and overheads rate. As a result, the Group has conducted a sensitivity analysis on the recoverable amount. Based on this analysis, the Group's projected results will need to achieve a minimum annual gross margin and maximum overheads % of revenue rate of 25%-40% and 25%, respectively, for there to be no impairment charge.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## 13. Other liabilities

| | **30 June 2021 $** | **30 June 2020 $** |
|---|---|---|
| *Other current liabilities* | | |
| Contingent consideration – Tranche 2 | **1,290,313** | – |
| *Other non-current liabilities* | | |
| Contingent consideration – Tranche 3 | **1,241,827** | – |

Contingent consideration relates to the acquisition of Art of Mentoring. Refer to note 20 Business combinations for further details.

## 14. Trade and other payables

| | **2021 $** | **2020 $** |
|---|---|---|
| *Current* | | |
| Trade payables | **1,133,046** | 195,867 |
| Accruals | **197,577** | 124,016 |
| Other payables | **224,534** | 170,626 |
| | **1,555,157** | **490,509** |

Information on the liquidity risk management is presented in note 25 (c).

## 15. Employee benefit obligations

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current* | | |
| Annual leave | **302,666** | 157,986 |
| | **302,666** | **157,986** |
| *Non-current* | | |
| Long service leave | **57,121** | 24,100 |
| | **57,121** | **24,100** |

### Amounts not expected to be settled within the next 12 months

The current provision for annual leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire balance is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. The amount of annual leave balance that is not expected to be taken or paid within the next 12 months is $112,192.

## 16. Share capital

### (a) Ordinary shares

| | 2021 Shares | 2020 Shares | 2021 $ | 2020 $ |
|---|---|---|---|---|
| Ordinary shares – Fully paid | **604,456,397** | 548,058,530 | **29,156,778** | 26,368,683 |
| | **604,456,397** | **548,058,530** | **29,156,778** | **26,368,683** |

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

### (b) Movements in ordinary share capital

| | Number of shares | $ |
|---|---|---|
| As at 1 July 2019 | 222,299,656 | 20,439,014 |
| Issue of new ordinary shares to a cornerstone investor | 66,666,666 | 1,000,000 |
| Issue of new ordinary shares under Share Purchase Plan | 55,536,650 | 833,050 |
| **As at 30 June 2020** | **548,058,530** | **26,368,683** |
| Issue of new ordinary shares under Share Purchase Plan | **48,076,923** | **2,500,000** |
| Less: capital raising costs | **–** | **(212,463)** |
| Acquisition of business combination | **8,320,944** | **500,558** |
| **As at 30 June 2021** | **604,456,397** | **29,156,778** |

| Date | Details | Number of shares | Issue price $ | Amount $ |
|---|---|---|---|---|
| **2020** | | | | |
| 19-Jul-19 | Issue of shares to a cornerstone investor | 43,333,333 | 0.015 | 650,000 |
| 30-Aug-19 | Issue of shares under the Share Purchase Plan | 55,536,650 | 0.015 | 833,050 |
| 13-Sep-19 | Issue of shares to a cornerstone investor | 23,333,333 | 0.015 | 350,000 |
| | | **122,203,316** | | **1,833,050** |

# NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

| Date | Details | Number of shares | Issue price $ | Amount $ |
|---|---|---|---|---|
| **2021** | | | | |
| 19-Oct-20 | Issue of new ordinary shares under Share Purchase Plan | **48,076,923** | **0.052** | **2,500,000** |
| 19-Oct-20 | Capital raising costs | **–** | **–** | **(122,463)** |
| 26-Oct-20 | Acquisition of business combination | **8,320,944** | **0.060** | **500,558** |
| 27-Nov-20 | Capital raising costs – underwriters options | **48,076,923** | **0.052** | **(90,000)** |
| | | **56,397,867** | | **2,788,095** |

## 17. Reserve

### (a) Options reserve

| | 2021 Options | 2020 Options | 2021 $ | 2020 $ |
|---|---|---|---|---|
| Options over ordinary shares | **245,297,811** | 18,183,323 | **1,606,434** | 53,702 |
| | **245,297,811** | **18,183,323** | **1,606,434** | **53,702** |

The reserve is used to recognise:

- the fair value of options issued to employees but not exercised; and
- the fair value of options issued for goods and services received but not exercised.

### (b) Movements in options reserve

| | Number of options | $ |
|---|---|---|
| As at 1 July 2019 | 57,399,053 | 598,198 |
| Issue of new options over ordinary shares | 4,850,000 | 4,476 |
| Share-based payments expense | – | 15,518 |
| Options forfeited/expired | (44,065,730) | (564,490) |
| **As at 30 June 2020** | **18,183,323** | **53,702** |
| Issue of new options over ordinary shares | **227,914,488** | **1,561,679** |
| Share-based payments expense | **–** | **13,307** |
| Options forfeited/expired | **(800,000)** | **(22,254)** |
| **As at 30 June 2021** | **245,297,811** | **1,606,434** |

| Date | Details | Number of options | Amount $ |
|---|---|---|---|
| **2020** | | | |
| 24-Jul-19 | Options granted | 4,500,000 | 4,447 |
| 18-Aug-19 | Options lapsed | (125,000) | (2,985) |
| 23-Aug-19 | Options lapsed | (750,000) | (17,913) |
| 4-Sep-19 | Options lapsed | (750,000) | (17,913) |
| 8-Sep-19 | Options lapsed | (250,000) | (5,971) |
| 29-Sep-19 | Options lapsed | (500,000) | (11,942) |
| 5-Oct-19 | Options lapsed | (1,000,000) | (23,883) |
| 11-Oct-19 | Options forfeited | (75,000) | (688) |
| 13-Oct-19 | Options lapsed | (50,000) | (1,194) |
| 28-Nov-19 | Options lapsed | (1,000,000) | (23,883) |
| 1-Dec-19 | Options lapsed | (950,000) | (22,689) |
| 11-Dec-19 | Options lapsed | (250,000) | (5,971) |
| 18-Dec-19 | Options lapsed | (875,000) | (20,898) |
| 20-Dec-19 | Options lapsed | (13,879,834) | – |
| 28-Jan-20 | Options lapsed | (4,928,119) | – |
| 19-Feb-20 | Options lapsed | (277,777) | – |
| 27-Apr-20 | Options lapsed | (15,000,000) | (345,000) |
| 30-Apr-20 | Options lapsed | (3,405,000) | (63,560) |
| 15-Jun-20 | Options granted | 350,000 | 29 |
| 30-Jun-2020 | Share-based payment expense for options granted in prior period | – | 15,518 |
| | | **(39,215,730)** | **(544,496)** |
| **2021** | | | |
| 23-Jul-20 | Options granted – ESOP | **2,000,000** | **20,585** |
| 28-Sep-20 | Options lapsed | **(750,000)** | **(22,250)** |
| 27-Nov-20 | Options granted | **195,000,000** | **1,360,247** |
| 27-Nov-20 | Options granted – ESOP | **25,000,000** | **90,846** |
| 27-Nov-20 | Options granted – Underwriters options | **5,914,488** | **90,000** |
| 8-Jan-21 | Options forfeited | **(50,000)** | **(4)** |
| 30-Jun-21 | Share-based payment expense for options granted in prior period | **–** | **13,307** |
| | | **227,114,488** | **1,552,732** |

## (c) Outstanding options

As at 30 June 2021, the Group had the following unlisted options in existence:

| Grant date | Expiry date | Exercise price | Number of options |
|---|---|---|---|
| 9-Mar-18 | 8-Mar-22 | **$0.250** | **1,250,000** |
| 4-Oct-18 | 4-Oct-21 | **$0.060** | **8,555,547** |
| 21-Dec-18 | 21-Dec-21 | **$0.060** | **2,777,776** |
| 24-Jul-19 | 23-Jul-24 | **$0.050** | **1,500,000** |
| 24-Jul-19 | 23-Jul-24 | **$0.075** | **1,500,000** |
| 24-Jul-19 | 23-Jul-24 | **$0.100** | **1,500,000** |
| 15-Jun-20 | 14-Jun-24 | **$0.020** | **150,000** |
| 15-Jun-20 | 14-Jun-25 | **$0.020** | **150,000** |
| 23-Jul-20 | 22-Jul-24 | **$0.050** | **666,666** |
| 23-Jul-20 | 22-Jul-24 | **$0.075** | **666,666** |
| 23-Jul-20 | 22-Jul-24 | **$0.100** | **666,668** |
| 27-Nov-20 | 27-Nov-22 | **$0.077** | **5,914,488** |
| 27-Nov-20 | 27-Nov-25 | **$0.100** | **10,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.200** | **67,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.300** | **34,000,000** |
| 27-Nov-20 | 27-Nov-25 | **$0.400** | **34,000,000** |
| 27-Nov-20 | 23-Dec-25 | **$0.100** | **75,000,000** |
| | | | **245,297,811** |

## 18. Share-based payments

The Company's Employee and Executive Incentive Plan ("EEIP") is designed to provide long-term incentives for eligible employees to deliver long-term shareholder returns. Under the EEIP, participants are granted options over ordinary shares. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

### (a) Options granted during the period

| | Note | 2021 Number of options | 2021 Average exercise price $ | 2020 Number of options | 2020 Average exercise price $ |
|---|---|---|---|---|---|
| Opening balance | 17 | **18,183,323** | **0.09** | 57,399,053 | 0.17 |
| Granted during the year | 17 | **227,914,488** | **0.20** | 4,850,000 | 0.07 |
| Exercised during the year | | **–** | **–** | – | – |
| Forfeited/expired during the year | 17 | **(800,000)** | **0.31** | (44,065,730) | 0.20 |
| **Closing balance** | 17 | **245,297,811** | **0.20** | **18,183,323** | **0.09** |

### (b) Fair value of options granted

The assessed fair value of options granted at grant date was determined using the barrier option pricing model that takes into account the exercise price, barrier price, life of the options, share price at grant date, the expected share price volatility of the underlying share, the expected dividend yield, the risk-free rate for the life of the options, as following:

| Grant date | Expiry date | Exercise price $ | No. of options granted | Share price at grant date $ | Dividend yield | Expected volatility | Risk-free interest rate | Fair value at grant date $ |
|---|---|---|---|---|---|---|---|---|
| 23-Jul-20 | 22-Jul-24 | 0.050 | 666,666 | 0.029 | Nil | 139% | 0.40% | 15,333 |
| 23-Jul-20 | 22-Jul-24 | 0.075 | 666,666 | 0.029 | Nil | 139% | 0.40% | 14,667 |
| 23-Jul-20 | 22-Jul-24 | 0.100 | 666,668 | 0.029 | Nil | 139% | 0.40% | 14,000 |
| 27-Nov-20 | 23-Dec-25 | 0.100 | 75,000,000 | 0.045 | Nil | 139% | 0.30% | 1,089,498 |
| 27-Nov-20 | 27-Nov-25 | 0.200 | 60,000,000 | 0.045 | Nil | 139% | 0.30% | 840,000 |
| 27-Nov-20 | 27-Nov-25 | 0.300 | 30,000,000 | 0.045 | Nil | 139% | 0.30% | 411,000 |
| 27-Nov-20 | 27-Nov-25 | 0.400 | 30,0000,00 | 0.045 | Nil | 139% | 0.30% | 402,000 |
| 27-Nov-20 | 27-Nov-25 | 0.100 | 10,000,000 | 0.045 | Nil | 139% | 0.30% | 145,000 |
| 27-Nov-20 | 27-Nov-25 | 0.200 | 7,000,000 | 0.045 | Nil | 139% | 0.30% | 98,000 |
| 27-Nov-20 | 27-Nov-25 | 0.300 | 4,000,000 | 0.045 | Nil | 139% | 0.30% | 54,800 |
| 27-Nov-20 | 27-Nov-25 | 0.400 | 4,000,000 | 0.045 | Nil | 139% | 0.30% | 53,600 |
| 27-Nov-20 | 27-Nov-22 | 0.077 | 5,914,488 | 0.045 | Nil | 75% | 0.50% | 90,000 |

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Expense from options granted in current year | **1,561,679** | 4,476 |
| Expense from options granted in prior year | **13,307** | 15,518 |
| Reversal of expense from options expired/forfeited in current year | **(22,254)** | (688) |
| | **1,552,732** | **19,306** |

## 19. Leases

### (a) Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

| | 2021 | 2020 |
|---|---|---|
| Current | **54,224** | 85,690 |
| Non-current | **–** | 48,187 |
| | **54,224** | **133,877** |

The Group has leases for the main office and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 11).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For the main office lease, the Group must keep the premise in a good state of repair and return the premises in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contract.

Key terms of the main office lease are summarised below:

- Remaining terms: six months in current lease contract
- As at 30 June 2021, AD1 was not reasonably certain to exercise the two years extension option. A new three-year term was executed post 30 June 2021 and covers the period January 2022 to December 2024. The new negotiated terms of a 36-month extension include:
  i. Change in lease payments to reflect current market rates
  ii. Cash free incentives
  iii. Change in annual increase %

Management has considered the above modifications of the current lease against AASB 16 Leases and deem the extension to reflect a separate lease contract, which will be recognised in the FY22 Annual Report.

- Option to purchase: No
- Variable payments linked to an index: No
- Termination option: No

The lease liability for the main office is secured by a long-term guarantee deposit. Future minimum lease payments at 30 June 2021 were as follows:

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 year $ | 1-2 years $ | 2-3 years $ | 3-4 years $ | 4-5 years $ | After 5 years $ | Total $ |
| Lease payments | **56,451** | **–** | **–** | **–** | **–** | **–** | **56,451** |
| Finance charges | **(2,227)** | **–** | **–** | **–** | **–** | **–** | **(2,227)** |
| **Net present values** | **54,224** | **–** | **–** | **–** | **–** | **–** | **54,224** |

### (b) Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis, which amounted to $747 in the current financial year.

As at 30 June 2021, the Group was not committed to any other short-term leases, variable leases payments that were not recognised as a lease liability, or to any leases which had not yet commenced.

### (c) Additional disclosures

- Expense incurred in relation to low value asset was $747.
- Total cash outflow for leases for the year ended 30 June 2021 was $104,201 for the office lease and $821 for the low-value asset.
- The Group has not entered into any operating lease arrangements as lessor.

## 20. Business combinations

### (a) Summary of acquisition

On 26 October 2020, AD1 Holdings acquired 100% of the issued share capital and received effective control of Art of Mentoring.

Art of Mentoring is Australia's leading mentoring program provider that delivers best-in-class programs through an intuitive SaaS platform. Art of Mentoring operates a SaaS business focused on designing, implementing and providing mentoring services to organisations using a range of evidenced-based programs, expert consultants and software.

The acquisition is expected to provide significant benefits to the Group, including the addition of a diversified recurring revenue stream of approximately $1 million with excellent growth outlook and significant sales synergies with the Company's career-platform offering.

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

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

| **Purchase consideration:** | **Fair value $** |
|---|---|
| Cash paid – Tranche 1 | **1,068,801** |
| Ordinary shares issued – Tranche 1 | **500,558** |
| Contingent consideration – Tranche 2 | **1,290,313** |
| Contingent consideration – Tranche 3 | **1,241,827** |
| **Total purchase consideration** | **4,101,499** |

Contingent consideration is payable to Art of Mentoring across two tranches upon meeting specific performance milestones per the sale agreement.

The provisional fair values of the identifiable net assets acquired are detailed below:

| | **Fair value $** |
|---|---|
| Purchase consideration (refer to (b) below): | |
| *Assets* | |
| Cash and cash equivalents | **174,151** |
| Trade debtors | **122,816** |
| Software – replacement cost | **748,000** |
| Other copyright materials | **345,000** |
| Customer contracts | **531,000** |
| *Liabilities* | |
| Contract liabilities | **(415,924)** |
| Provision for annual leave | **(19,276)** |
| Trade creditors | **(67,094)** |
| **Net identifiable assets acquired** | **1,418,673** |
| Add: goodwill[(i)] | **2,758,052** |
| Less: changes in fair value of contingent consideration – Tranche 2 | **(75,226)** |
| **Acquisition date fair value of the total consideration transferred** | **4,101,499** |

(i) Goodwill recognised is primarily attributable to the expected synergies and other benefits from combining the assets and activities of AoM with those of the Group's. The Group operates as one operating segment and goodwill was allocated to a single cash operating unit as at acquisition date. The goodwill is not deductible for tax purposes.

### (i) Revenue and profit contribution

The acquired business contributed operating revenues of $1,033,841 and net loss of $48,980 to the Group for the period from 27 October 2020 to 30 June 2021.

## (b) Purchase consideration – cash inflow

| | **31 December 2020 $** |
|---|---|
| *Inflow of cash to acquire subsidiary, net of cash acquired* | |
| Cash consideration | (1,068,801) |
| *Plus: Balances acquired* | |
| Cash | 174,151 |
| **Net outflow of cash – investing activities** | **(894,650)** |

### Acquisition-related costs

Acquisition-related costs of $156,978 attributable to the issue of shares are included in other expense and professional fees in the statement of profit or loss and other compressive income and in operating cash flows in the statement of cash flows.

## 21. Investments in controlled entities

The Group's principal subsidiaries at 30 June 2021 are set out below. Unless otherwise stated, it has share capital consisting solely of ordinary shares that is held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of business/ county of incorporation | Ownership held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|
| | | 2021 % | 2020 % | 2021 % | 2020 % |
| **Ultimate parent entity** | | | | | |
| AD1 Holdings Limited | Australia | **–** | – | **–** | – |
| **Controlled entity** | | | | | |
| Utility Software Services Pty Ltd | Australia | **100** | – | **–** | – |
| Art of Mentoring Holdings Pty Ltd | Australia | **100** | – | **–** | – |
| Art of Mentoring Pty Ltd | Australia | **100** | 100 | **–** | – |

## 22. Related party transactions

### (a) Key management personnel compensation

Below are the key management personnel compensation included within employee benefit expense for the year:

| | 2021 $ | 2020 $ |
|---|---|---|
| Short-term employee benefits | **440,519** | 835,040 |
| Long-term employee benefits | **12,147** | 3,734 |
| Post-employment benefits | **22,733** | 51,274 |
| Share-based payments | **1,514,445** | 14,378 |
| | **1,989,843** | 904,426 |

### (b) Other transactions with related parties

The Group had the following transactions with Blue NRG, of which Michael Norster is a Director. Additional services were received from More Investment and Capital Heights, of which Nicholas Smedley is a Director.

| | 2021 $ | 2020 $ |
|---|---|---|
| Revenue from contract with customer | **1,740,854** | 1,466,282 |
| Payment for electricity supplied | **4,659** | 7,311 |
| Receivables for services rendered | **–** | 98,809 |
| Payables for M&A and corporate advisory services | **91,500** | – |
| Payables for other services rendered | **9,963** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

## 23. Cash flow information

Reconciliation of loss after income tax to net cash outflow from operating activities (net of acquisitions and disposals of controlled entity balances)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Loss for the year | **(2,219,600)** | (2,181,158) |
| *Adjustment for:* | | |
| Depreciation | **116,267** | 103,320 |
| Amortisation | **323,794** | 123,693 |
| Share-based payment expense | **1,484,982** | 19,305 |
| Changes in fair value of contingent consideration | **(75,226)** | 9,888 |
| *Change in operating assets and liabilities:* | | |
| (Increase)/decrease in trade receivables | **(1,102,214)** | (68,950) |
| Increase/(decrease) in accounts payable | **1,127,092** | (34,988) |
| Increase/(decrease) in provisions | **177,700** | (164,824) |
| Increase/(decrease) in other current liabilities | **(87,536)** | 36,219 |
| **Net cash outflow from operating activities** | **(254,741)** | **(2,090,536)** |

## 24. Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Statement of financial position* | | |
| Current assets | **1,221,335** | 965,080 |
| Total assets | **5,190,785** | 3,128,114 |
| Current liabilities | **672,381** | 433,414 |
| Total liabilities | **708,121** | 449,814 |
| Share capital | **29,156,778** | 26,368,683 |
| Options reserve | **1,606,434** | 53,702 |
| Accumulated losses | **(26,280,548)** | (23,744,084) |
| **Total equity** | **4,482,664** | **2,678,301** |
| *Statement of profit and loss and other comprehensive income* | | |
| Loss for the year | **2,558,714** | 1,480,542 |
| Total comprehensive loss | **2,558,714** | 1,480,542 |

## (b) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of AD1 Holdings Limited.

### (ii) Tax consolidation legislation

AD1 Holdings Limited and its wholly-owned Australian controlled entity have implemented a tax consolidation legislation. The parent entity, AD1 Holdings Limited, and the controlled entity within the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, AD1 Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## (c) Commitments and contingencies of the parent entity

The parent entity did not have any contingent liabilities or commitments as at 30 June 2021 (2020: nil).

# 25. Financial risk management

The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Group's policies and processes for managing these risks, are described below.

## (a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Group's strategy on the management of investment risk is driven by the Group's investment objective. The Group's market risk is managed by the Chief Executive Officer and overseen by the Board.

### (i) Currency risk

The Group is not exposed to material currency risk arising from any financial assets or financial liabilities as all material transactions are denominated in Australian dollars.

### (ii) Interest rate risk

The Group is exposed to interest rate risk via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. To reduce risk exposure, the Group ensures that cash and cash equivalents are placed in high credit quality financial institutions. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities are as follows:

| | Interest rate% | Fixed interest rate $ | Floating interest rate $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **2021** | | | | | |
| *Financial assets* | | | | | |
| Cash at bank | | **–** | **523,434** | **–** | **523,434** |
| Trade and other receivables | | **–** | **–** | **1,873,287** | **1,873,287** |
| Other non-current assets | **0.25** | **82,327** | **–** | **–** | **82,327** |
| *Financial liabilities* | | | | | |
| Trade and other payables | | **–** | **–** | **(1,555,157)** | **(1,555,157)** |
| Lease liabilities | **13.95** | **(54,224)** | **–** | **–** | **(54,224)** |
| **Net position** | | **28,103** | **523,434** | **318,130** | **869,667** |
| **2020** | | | | | |
| *Financial assets* | | | | | |
| Cash at bank | | – | 459,742 | – | 459,742 |
| Trade and other receivables | | – | – | 771,073 | 771,073 |
| Other non-current assets | 1.20 | 82,327 | – | – | 82,327 |
| *Financial liabilities* | | | | | |
| Trade and other payables | | – | – | (490,506) | (490,506) |
| Lease liabilities | 12.95 | (133,877) | – | – | (133,877) |
| **Net position** | | **(51,550)** | **459,742** | **280,567** | **688,756** |

Sensitivity of profit or loss to movements in market interest rates for instruments with cash flow risk:

| | 2021 $ | 2020 $ |
|---|---|---|
| Market interest rates changed by ± 50 basis points | **± 141** | ± 258 |

### (iii) Price risk

The Group is not exposed to price risk arising from any financial assets or financial liabilities.

## (b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Cash at bank | **523,434** | 459,742 |
| Receivables | **1,873,287** | 771,073 |
| **Maximum exposure to credit risk** | **2,396,721** | **1,230,815** |

### (i) Credit risk management

The credit risk in respect of cash at banks and deposits is managed by only having accounts with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on regular review of the debtors. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to deal only with credit worthy counterparties. The credit terms range between 14 and 30 days. The credit terms for customers as negotiated with customers are subject to an approval process which forms part of the overall contract approval when signing up new customers. The ongoing credit risk is managed through regular review of ageing analysis, together with ongoing correspondences with customers.

Trade receivables consist of customers within one geographical area (Australia), across two major industries (public and utility sectors).

### (ii) Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 30 June 2021 was determined as follows (for the financial year ended 30 June 2020, the expected credit loss was immaterial):

| | | Trade receivables days past due | | | |
|---|---|---|---|---|---|
| | Current<br>$ | More than 30 days<br>$ | More than 60 days<br>$ | More than 90 days<br>$ | Total<br>$ |
| Expected credit loss rate | **0%** | **0%** | **0%** | **0%** | **–** |
| Gross carrying amount ($) | **485,448** | **–** | **176,039** | **-550** | **660,936** |
| Lifetime expected credit loss ($) | **–** | **–** | **–** | **–** | **–** |

The closing balance of the of the trade receivables loss allowance as at 30 June 2021 reconciles with the trade receivables loss allowance opening balance as follows:

| | $ |
|---|---|
| Loss allowance as at 30 June 2020 | **5,569** |
| Loss allowance recognised during the year | **(5,569)** |
| **Loss allowance as at 30 June 2021** | **0** |

### (c) Liquidity risk

The Group monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. Management monitors cash flows.

The maturity of financial liabilities at reporting date are shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows.

| | Interest rate (%) | Less than 12 months $ | 1-5 years $ | Total contractual cash flows $ | Carrying amount of liabilities $ |
|---|---|---|---|---|---|
| **2021** | | | | | |
| *Financial liabilities* | | | | | |
| Trade and other payables | | **1,555,157** | **–** | **1,555,157** | **1,555,157** |
| Lease liabilities | **13.95** | **54,224** | **–** | **54,224** | **54,224** |
| | | **1,609,381** | **–** | **1,609,381** | **1,609,381** |
| **2020** | | | | | |
| *Financial liabilities* | | | | | |
| Trade and other payables | | 490,506 | – | 490,506 | 490,506 |
| Lease liabilities | 12.95 | 85,690 | 48,187 | 133,877 | 133,877 |
| | | **576,196** | **48,187** | **624,383** | **624,383** |

### (d) Fair value hierarchy

The following information classifies financial instruments recognised in the statement of financial position at fair value according to the hierarchy stipulated in AASB 7 *Financial Instruments: Disclosure* ("AASB 7") that reflects the subjectivity of the inputs used in making the measurements as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities; or
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (i.e. unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## 26. Remuneration of auditors

This table below shows the total fees to the Group's external auditors, PKF, split between audit and non-audit services.

| | 2021 $ | 2020 $ |
|---|---|---|
| Audit of financial statements | **46,200** | 44,000 |
| Other services | **–** | – |
| | **46,200** | 44,000 |

## 27. Contingencies

The Group had no contingent liabilities at 30 June 2021 (2020: nil).

## 28. Events occurring after the reporting period

No additional matters or circumstances have occurred subsequent to the financial year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in future financial years.

# DIRECTORS' DECLARATION

In the opinion of the Directors of AD1 Holdings Limited:

(a) the financial statements and notes of the Group are in accordance with *Corporations Act 2001*, including:

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

   (ii) complying with Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(a) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

Signed in accordance with a resolution of Directors.

**Mr Brendan Kavenagh**
Managing Director & CEO

Melbourne
30 September 2021

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

**PKF**

**Independent Auditor's Report to the Members of AD1 Holdings Limited**

**Report on the Audit of the Financial Report**

***Our Opinion***

We have audited the accompanying financial report of AD1 Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the Company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of AD1 Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1(d) in the financial report, which indicates that the Group incurred a consolidated loss of $2,219,600 (2020: $2,181,158) during the year ended 30 June 2021 and, as of that date, the Group is in a net cash outflow position from operating activities of $254,741 (2020: $2,090,536). As stated in Note 1(d), these events or conditions, along with other matters as set forth in Note 1(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 **www.pkf.com.au**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

<table>
<tr><th>Matter and Significance</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition<br><br>The Group's operating revenue amounted to $5,338,590 during the financial year made up of the following revenue streams, namely:<br><br>• SaaS and Managed Services<br>• IT Development and Consulting<br><br>Note 3(a) Revenue Recognition describes the accounting policies applicable to distinct revenue streams, noting that revenue is generated both from rendering of services over a period of time and from fees at a point in time.<br><br>All revenue streams are recognised in accordance with AASB 15 Revenue from Contracts with Customers.<br><br>The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to risks associated with revenue recognition and the various recognition points relative to the different revenue streams and performance obligations.</td><td>Our audit procedures included, but were not limited to, the following:<br><br>• considering the appropriateness of management's assessment of revenue streams in accordance with the applicable accounting standard AASB 15;<br>• evaluating a sample of major contracts secured during the financial year by agreeing revenue amounts to the records accumulated as inputs to the financial statements, including billing systems and bank records;<br>• assessing the values recorded and the timing of revenue recognition as appropriate to the completion of performance obligations and the timeframe of delivery;<br>• performing detailed analytical review procedures on the various revenue streams, including an assessment of revenue recorded against supporting documentation to ensure reasonableness of revenue recognition;<br>• substantiating sales transactions in events of exceptions and/or anomalies to assess whether revenue is being recognised in accordance with the Group's revenue policies;<br>• analytically reviewing deferred revenue balances at balance date to assess completeness and accuracy; and<br>• assessing the adequacy of disclosures in the financial report for compliance with AASB 15.</td></tr>
</table>

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 **www.pkf.com.au**

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

(CONTINUED)

PKF

| Matter and Significance | How our audit addressed the key audit matter |
|---|---|
| **Valuation of Goodwill and Other Intangible Assets**<br><br>As set out in Note 12 of the financial statements, as at 30 June 2021, the Group has intangible assets including goodwill of $6,544,477 (2020: $1,473,158).<br><br>The accounting policy in respect of these assets is outlined in Note 3(h) *Intangible Assets*.<br><br>An annual impairment test for goodwill is required under AASB 136 *Impairment of Assets.*<br><br>The evaluation of the recoverable amount of the Cash Generating Unit (CGU) to which the intangibles are allocated requires the Group to exercise significant judgement in determining key assumptions, which include:<br>• Preparation of a 5-year cash flow forecast;<br>• Preparation of forecast profit margins and overheads;<br>• Determination of a growth rate and terminal growth factor;<br>• Determination of a discount rate; and<br>• Assumption of the useful life of intangible assets excluding goodwill<br><br>The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets, including goodwill, is a Key Audit Matter. | Our audit procedures included, but were not limited to, the following:<br>• Assessing and challenging:<br>o the assumption that the CGUs identified are appropriate in the context of acquisitions and the goodwill and other intangible assets allocated to it;<br>o the reasonableness of the financial year 2022 budget approved by the Board by comparing it to actual results, trends, strategies and outlooks;<br>o the assumptions used for forecast profit margins and overheads;<br>o the assumptions used for the future growth rate and terminal growth rates in the forecast model; and<br>o the determination of the discount rate applied in the impairment model, comparing to available industry data.<br>• Reviewing the mathematical accuracy of the cash flow models including<br>o agreeing the inputs in the cash flow model to the reviewed assumptions considered above; and<br>o reviewing the calculated terminal value.<br>• Assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 12. |

***Other Information***

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and the auditor's report. The Directors are responsible for other information in the annual report.

The other information we obtained prior to the date of this auditor's report was the Directors' report. The remaining other information is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial report does not cover the other information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 **www.pkf.com.au**

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we 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.

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

***Directors' Responsibilities for the Financial Report***

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

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

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

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement 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 other 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.

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 **www.pkf.com.au**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

***Opinion***

We have audited the remuneration report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of AD1 Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

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

**PKF**

**Melbourne, 30 September 2021**

**Kenneth Weldin**

**Partner**

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 **www.pkf.com.au**

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 September 2021.

## A. Distribution of equity securities

Analysis numbers of ordinary shareholders by size of holding:

| Holding | Securities | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and over | **587,521,677** | **97.20** | **360** | **39.43** |
| 10,001 to 100,000 | **16,046,007** | **2.65** | **401** | **43.92** |
| 5,001 to 10,000 | **801,835** | **0.13** | **88** | **9.64** |
| 1,001 to 5000 | **84,010** | **0.01** | **28** | **3.07** |
| 1 to 1,000 | **2,869** | **0.00** | **36** | **3.94** |
| | **604,456,398** | **100.00** | **913** | **100.00** |
| Unmarketable parcels | **1,423,216** | **0.24** | **199** | **21.80** |

## B. Equity security holders

### Twenty largest quoted equity security holders

The Group's 20 largest equity securities holders of quoted equity securities are listed below:

| Security holder | Number held | Percentage of issued shares (%) |
|---|---|---|
| POTENTATE INVESTMENTS PTY LTD | **137,759,637** | **22.79** |
| MORE CAPITAL HOLDINGS PTY LTD | **43,983,333** | **7.28** |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | **34,614,873** | **5.73** |
| MR CHRISTOPHER KUPERMAN | **30,995,981** | **5.13** |
| B F A PTY LTD | **10,884,615** | **1.80** |
| DIXSON TRUST PTY LIMITED | **10,863,696** | **1.80** |
| HAMPTON EAST DEVELOPMENT PTY LTD | **9,922,779** | **1.64** |
| GOLDEN POND INVESTMENTS | **8,320,944** | **1.38** |
| MATTHEW NEWTON PTY LTD | **7,585,046** | **1.25** |
| DOVETON KAY INVESTMENTS PTY LTD | **7,277,776** | **1.20** |
| MRS NICOLA JANE GARDINER | **7,013,595** | **1.16** |
| BLUEBELL LODGE PTY LTD | **6,602,595** | **1.09** |
| G S ANDREWS CONSULTING PTY LTD | **5,983,332** | **0.99** |
| MISS MADDISON PAIGE MCQUADE | **5,603,284** | **0.93** |
| MORCKSTOW PTY LTD | **5,092,000** | **0.84** |
| GRAY FOAM SUPER FUND PTY LTD | **5,000,000** | **0.83** |
| DUNCLYN INVESTMENTS PTY LTD | **4,750,003** | **0.79** |
| NAMEBLANK PTY LTD | **4,731,760** | **0.78** |
| PRAGMATIC PTY LTD | **4,663,641** | **0.77** |
| INVIA CUSTODIAN PTY LIMITED | **4,590,000** | **0.76** |
| | **356,238,890** | **58.94** |

# SHAREHOLDER INFORMATION

(CONTINUED)

## Substantial holders

The Group's substantial equity securities holders of quoted equity securities are listed below:

| Security holder | Number held | Percentage of issued shares (%) |
|---|---|---|
| POTENTATE INVESTMENTS PTY LTD | **137,759,637** | **22.79** |
| MORE CAPITAL HOLDINGS PTY LTD | **43,983,333** | **7.28** |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | **34,614,873** | **5.73** |
| MR CHRISTOPHER KUPERMAN | **30,995,981** | **5.13** |

## C. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Link Market Services Limited
Level 12, 680 George Street, Sydney, New South Wales 2000
Telephone: +61 2 8280 7100

## D. Change of address, change of name, consolidation of shareholdings

Shareholders should contact the share registry to obtain details of the procedure required for any of these changes.

## E. Annual Report

Shareholders do not automatically receive a hardcopy of the Group's Annual Report unless they notify the share registry in writing. An electronic copy of the Annual Report can be viewed on the website www.ad1holdings.com.au.

## F. Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number of exemption details noted by the share registry.

## G. CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS system should contact their stockbroker.

## H. Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/Group's holding.

# CORPORATE DIRECTORY

## Directors

Mr Andrew Henderson Non-Executive Chairman

Mr Michael Norster Non-Executive Director

Mr Nicholas Smedley Non-Executive Director

Mr Prashant Chandra Managing Director & CEO
(resigned 7 July 2021)

Mr Brendan Kavenagh Managing Director & CEO
(appointed 7 July 2021)

## Company Secretaries

Mr Prashant Chandra (until 7 July 2021)

Mr Harvey Bui

## Registered office and principal place of business

Suite 102, 697 Burke Road
Hawthorn East, VIC 3123

1300 554 842

## Share and debenture register

Link Market Services Limited
Level 12, 680 George Street
Sydney New South Wales 2000

+61 2 8280 7100

## Auditor

PKF
Level 12, 440 Collins Street
Melbourne VIC 3000

## Solicitors

Thomson Geer
Level 39, Rialto Towers
525 Collins Street
Melbourne VIC 3000

## Websites

www.ad1holdings.com.au

www.utilitysoftwareservices.com

www.artofmentoring.net

www.applydirect.com.au

AD1
HOLDINGS