AD1 Holdings Limited

ACN 123 129 162

Consolidated Financial Statements

For the Year Ended 30 June 2023

Chairman and CEO Update

Dear Shareholders,

We are pleased to present our FY23 financial statements which was a year of solid performance with the company achieving 7% year-on-year (yoy) revenue growth to $6.4m. This result is reflective of the significant investments made in our people and products to expand both locally and in North America; a key pillar in our growth strategy.

Our financial performance for the year was underpinned with contract wins across all divisions, with cash receipts increasing 8% when compared to FY22, to total $7.3m. Total revenue increased to $7.8 million for FY23, which includes a Research & Development tax incentive of $1.3 million. During the year we decided to pivot our growth strategy to focus on HR Technology platforms and services with specific emphasis on our fastest growing division, Art of Mentoring (AoM), while achieving modest growth in ApplyDirect. Discontinuing our energy utilities platform and a small restructure, the alignment of brands and achievement of synergies has significant reduction in our cost base moving into FY24.

The Company embraced a strong sales focus over the year, investing $0.5 million in sales and marketing to drive greater adoption of our products. Overall, operating expenses (excluding depreciation and amortisation) were held neutral, year-on-year, albeit the move into the US markets came with conscious costs of entering that significant market. Throughout the year further cost reductions were identified for the upcoming FY24 year. Throughout the FY23 year we delivered on our strategy of growing our presence offshore and concentrated on further penetration of both new and existing markets. Significant investments in our business delivered strong results for the AoM and ApplyDirect divisions, which witnessed meaningful interest and increased adoption from improved offerings.

The financial year began strongly, with a record start for AoM opening in North America, and the resigning of the NSW Government for ApplyDirect. Uncertainty across the globe impacted markets, which impacted our ability to complete the Scout transaction during the 1st half of the financial year. This resulted in the business refocusing on controlling costs. As we progressed into the second half of the year, the business executed a cost reduction strategy and a small restructuring, with the decision to sublicense and discontinue Utility Software Services (USS).

Art of Mentoring (AoM)

The commencement of the FY23 financial year began very strongly with regular new signings, which included US technology giant Intel. AoM observed meaningful new customer wins including multiple contracts with the US Department of Labour, new signings with multiple US associations together with significant Australian signings such as BAE systems, Department of Industry, Dairy Australia and the Law Institute while expanding programs across existing customers like Defense. AoM's commitment to customers has been reflected in strong NPS scores and customer satisfaction and renewals were strong throughout the year.

Whilst the FY23 was a year of transformation for AoM. We still witnessed strong revenue growth of 34% year-on-year. The division expanded into North America, invested into a local sales and leadership teams to ensure continued growth and launched a second-generation platform, Platform 2.0. The expectation of the new platform is to further attract and retain customers. by providing leading technology within the mentoring vertical, including new mentoring programs which provide considerable opportunities to better service clients and upsell into existing clients, via new verticals.

FY24 is expected to be a successful year for AoM across both Australia and North America. The foundations for growth are present with a strong customer base, the opportunity to expand programs across existing customers, while leveraging our referral network which currently delivers approximately 50% of new leads. Partnership programs and alliances are a key part of our growth strategy alongside continued expansion into associations, large enterprise and key industry verticals such as healthcare.

ApplyDirect

ApplyDirect achieved a 9% year on year growth with revenues of $0.8m. ApplyDirect successfully gained customer support as it moved away from legacy bespoke platforms to the Gen 3 platform. The updated Gen 3 platform is a major step for ApplyDirect as it can now offer improved solutions and an enhanced product for existing and new customers under a reduced cost model. As we move into FY24 the division will continue to successfully migrate large government customers onto the Gen 3 platform, delivering strong growth into FY24 while managing the costs base. The new Gen3 platform is forecast to operating at lower than historical cost levels.

Jobtale

We entered FY23 with high hopes and aspirations for our job ad creation product Jobtale. Following close examination of Jobtale's progress, the decision was reached to reduce the investment required to bring the product to market after the pilot program. Despite the belief there is substantial market value, our cost reduction strategy impacted on our ability to continue with this as a viable opportunity. Jobtale will be reviewed in conjunction with our consolidated HR technology road map strategy in FY24.

We remain focused on our commitment to consistently grow our product suite of SaaS solutions and are investing in our key divisions to ensure our technology capabilities are delivering a leading and relevant products and services to our customer base with increased analytics to drive greater insights.

We have targeted continued growth across all divisions for FY24 and remained focused on right-sizing the business model to ensure a pathway to profitability. We have a wide range of existing customers who we will look to go deeper with as the products deliver greater capabilities with new platforms that were launched during FY23. Our abilities to deliver proven outcomes is significant and we will look to promote these more visibly in the new financial year.

We are excited about the position that FY23 has provided and provides a great platform to launch into FY24 and meet the investment and shareholders expectations with a strong and viable pathway to profitability and free-cash-flow.

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For the Year Ended 30 June 2023

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Directors' Report
30 June 2023

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 2023.

Directors

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

Andrew Henderson	Non-Executive Chairman
Resigned from the Board	20 January 2023
Experience	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.
Directorships held in other listed entities	Nil
Michael Norster	Non-Executive Director
	Chair of Audit Risk & Compliance Committee
Experience	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 in 1997 that traded under the name Powerdirect. 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).
Directorships held in other listed entities	Nil
Nicholas Smedley	Interim Chairman
Experience	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.
Directorships held in other listed entities	Respiri Limited, Findi Limited

Directors (continued)

Brendan Kavenagh	Managing Director & CEO
Resigned from the Board	8 September 2023
Experience	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.
Directorships held in other listed entities	Nil

Company secretary

Mr Todd Perkinson has been appointed as CFO and Company Secretary of AD1 on 03 April 2023 and he was appointed CEO on 8th of September 2023.

Mr Todd Perkinson has over 20 years experience across various industries as CFO and other executive management levels. His previous roles have been with Damstra Technology (ASX: DTC), Vault Intelligence (ASX: VLT), leading healthcare agencies across both Australia & New Zealand, Rank Group (Graeme Hart's enterprises) and 7-8 years working with insurance markets in the UK.

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.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating and Financial review

Our financial performance for the year was supported by a total of $6.4 million revenue across all three divisions, with cash receipts witnessing an 8% increase compared to FY22 to total $7.3m. Total revenue increased to $7.8 million following a Research & Development tax incentive of $1.3 million.

Throughout the year, we had a strong sales focus and invested in further sales and marketing to drive greater adoption of our products. Overall, our expenses increased by 35% as we delivered on our strategy of growing our presence offshore and concentrated on further penetration of both new and existing geographic markets. The strong investment in our business delivered strong results for the AoM and ApplyDirect divisions which witnessed significant interest and increased adoption from our improved offerings.

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.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of entities in the Group during the financial year under review not otherwise disclosed in the Annual Report.

Environmental regulations

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

Risk Management

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.

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.

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.

Funding Risk

In recognition of the profitability outcomes in the financial year's ended 30 June 2023 and 30 June 2022, the Company is focused on getting to an operational cashflow positive position with cost control whilst maintaining existing revenue sources and winning new business, which in Q1 FY24 has had pleasing results. The Group will maintain reviewing and investigating acquisitions which are profit and cash accretive and reviewing platforms that align to the future growth of the group.

Risk Management (continued)

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.

Meetings of Directors

A number of formal meetings and circular resolutions were held during the year as tabled below:

	Directors' Meetings		Audit, Risk and Compliance Committee		Remuneration & Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Henderson (resigned 20 Jan 2023)	3	3	-	-	-	-
Brendan Kavenagh	8	8	1	1	1	1
Michael Norster	8	7	1	1	1	1
Nicholas Smedley	8	8	1	1	1	1

For the date of appointment and resignation of each Director and Executive, please refer to the Directors Details Section of the Directors' Report.

Indemnification of Officers and Auditors

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.

Proceedings on Behalf of the Company

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

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

During the year ended 30 June 2023 the Company did not engage the external auditor to provide non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2023 has been received and can be found on page 13 of the consolidated financial report.

Share Options on Issue as at the Date of this Report

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
15 Jun 2020	14 Jun 2024	0.020	150,000
23 Jul 2020	22 Jul 2024	0.050	333,333
23 Jul 2020	22 Jul 2024	0.075	333,333
23 Jul 2020	22 Jul 2024	0.100	333,334
15 Jun 2020	14 Jun 2025	0.020	150,000
27 Nov 2020	27 Nov 2025	0.020	65,500,000
27 Nov 2020	27 Nov 2025	0.100	8,000,000
27 Nov 2020	27 Nov 2025	0.300	33,250,000
27 Nov 2020	27 Nov 2025	0.400	33,250,000
27 Nov 2020	23 Dec 2025	0.100	75,000,000
24 Dec 2021	17 Dec 2025	0.060	83,333,333

There were no listed options outstanding at the reporting date.

Corporate Governance

In accordance with ASX listing Rule 4.10.3, the Company's 2023 Corporate Governance Statement can be found on its website at www.ad1holdings.com.au.

Remuneration Report (Audited)

The Directors present the AD1 2023 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

Remuneration Policy

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.

<u>Executive remuneration</u>

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

<u>Non-Executive Director remuneration</u>

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

<u>Fixed remuneration</u>

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.

Remuneration Report (Audited) (continued)

Remuneration Policy (continued)

Variable performance-based remuneration

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

Equity-based remuneration

Equity based performance in regard to achieving annual based company targets with elements of cash & equity as part of the short-term based incentives. There are also long-term incentives (LTI) programs in place which are based on share price performance and performance hurdles for individual and company. These are assessed annually and form the basis of the remuneration committee mandate.

Termination payments

All Directors and executives are not entitled to retirement benefits other 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.

Remuneration Policy Versus Company Financial Performance

Remuneration of Executives consists of an unrisked element (base pay) and share bonuses based on performance in relation to key strategic, financial and non-financial measures linked to drivers of performance in future reporting periods.

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

Details of remuneration

Key Management Personnel (KMP) of AD1 are defined as those persons having authority and responsibility for planning, directing and controlling the 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) (Resigned 20 January 2023)

Mr Michael Norster (Non-Executive Director)

Mr Nicholas Smedley (Non-Executive Director)

Mr Brendan Kavenagh (Managing Director & CEO) (Resigned 8 September 2023)

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

Remuneration Report (Audited) (continued)

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:

	Net (Loss)/ Profit	Share Price at Balance Sheet Date	Loss per Share (cents)
	$	$	$
Financial Year			
2023	(8,014,529)	0.005	(1.23)
2022	(2,666,229)	0.012	(0.42)
2021	(2,219,600)	0.037	(0.39)
2020	(2,181,158)	0.010	(0.41)
2019	(4,382,111)	0.010	(1.50)

Performance Based Remuneration

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of short-term and long-term KPI's to determine achievement, depending on the role of the executive or director being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time; and
- completion of set milestones.

The Non-Executive Directors do not receive performance-based remuneration.

Remuneration Report (Audited) (continued)

Details of Remuneration for the Year Ended 30 June 2023

The remuneration for each Director and each of the other Key Management Personnel of the consolidated entity during the year was as follows:

	Short-term Employee Benefits	Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Superannuation contribution	Long service leave	Equity-settled shares	Equity-settled options	
2023	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Andrew Henderson (Resigned 20 Jan 2023)	45,800	-	-	-	305,739	**351,539**
Michael Norster	60,000	2,625	-	-	155,614	**218,239**
Nicholas Smedley	115,000	-	-	-	155,614	**270,614**
Brendan Kavenagh	302,083	23,744	5,776	-	92,213	**423,816**
	522,883	**26,369**	**5,776**	**-**	**709,180**	**1,264,208**

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

	Short-term Employee Benefits	Post-employment Benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Superannuation contribution	Long service leave	Equity-settled shares	Equity-settled options	
2022	**$**	**$**	**$**	**$**		**$**
Directors						
Andrew Henderson	77,550	-	-	-	155,614	233,164
Michael Norster	50,000	5,000	-	-	155,614	210,614
Prashant Chandra (Resigned 7 July 2021)	220,071	12,266	-	-	-	232,337
Nicholas Smedley	77,605	-	-	-	155,614	233,219
Brendan Kavenagh	321,767	23,580	-	-	146,531	491,878
	746,993	40,846	-	-	613,373	1,401,212

Share-based Compensation

Issue of shares

During the year ended 30 June 2023, there have been no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

Remuneration Report (Audited) (continued)

Share-based Compensation (continued)

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 2023 is set out below:

Name	No. of options granted during the year	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	-	-	-	-
Michael Norster	-	-	-	-
Nicholas Smedley	-	-	-	-
Brendan Kavenagh	-	15,000,000	-	-

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.

Remuneration Report (Audited) (continued)

(a) Shareholdings

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:

	Balance at Start of the Year	Granted as Compensation	Purchases	Disposals/ other	Balance at End of the Year
30 June 2023					
Directors					
Andrew Henderson *	8,186,488	-	2,028,000	-	10,214,488
Michael Norster	141,373,387	-	46,119,021	-	187,492,408
Nicholas Smedley	70,450,813	-	24,628,803	-	95,079,616
Brendan Kavenagh	967,500	-	435,000	-	1,402,500
	220,978,188	**-**	**73,210,824**	**-**	**294,189,012**

* Resigned 20 January 2023

	Balance at Start of the Year	Granted as Compensation	Purchases	Disposals/ other	Balance at End of the Year
30 June 2022					
Directors					
Andrew Henderson	5,323,988	-	2,862,500	-	8,186,488
Michael Norster *	139,310,887	-	2,062,500	-	141,373,387
Prashant Chandra **	222,222	-	-	(222,222)	-
Nicholas Smedley	68,888,313	-	1,562,500	-	70,450,813
Brendan Kavenagh ***	-	-	937,500	30,000	967,500
	213,745,410	-	7,425,000	(192,222)	220,978,188

* Opening balance includes 2,000,000 shares which were not previously included and have been updated accordingly

** Resigned 7 July 2021

*** Appointed 7 July 2021

Directors' Report

30 June 2023

Remuneration Report (Audited) (continued)

(b) Options and Rights

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:

	Balance at Start of the Year	Granted as Compensation	Purchases	Expired, forfeited and other	Balance at End of the Year
30 June 2023					
Directors					
Andrew Henderson *	67,362,121	-	-	(2,362,121)	65,000,000
Michael Norster	67,362,121	-	-	(2,362,121)	65,000,000
Nicholas Smedley	67,362,121	-	-	(2,362,121)	65,000,000
Brendan Kavenagh	15,234,375	-	-	(234,375)	15,000,000
	217,320,738	**-**	**-**	**(7,320,738)**	**210,000,000**

* Resigned 20 January 2023

	Balance at Start of the Year	Granted as Compensation	Purchases	Expired, forfeited and other	Balance at End of the Year
30 June 2022					
Directors					
Andrew Henderson	66,971,496	-	-	390,625	67,362,121
Michael Norster	68,360,384	-	-	(998,263)	67,362,121
Prashant Chandra *	20,300,000	-	-	(20,300,000)	-
Nicholas Smedley	66,971,496	-	-	390,625	67,362,121
Brendan Kavenagh **	-	15,000,000	-	234,375	15,234,375
	222,603,376	**15,000,000**	**-**	**(20,282,638)**	**217,320,738**

* Resigned 7 July 2021
** Appointed 7 July 2021

This is the end of the Audited Remuneration Report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

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

Nicholas Smedley
Interim Chair

Dated this 3rd day of October 2023

Melbourne, Australia

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 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 2023, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF
Melbourne, 3 October 2023

Kenneth Weldin
Partner

AD1 Holdings Limited

ACN 123 129 162

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

	Note	2023 $	2022 $
Revenue			
Contracts with customers	4	**6,401,940**	5,986,390
Other income	4	**1,428,884**	1,810,158
Interest income		**556**	1,572
Total revenue		**7,831,380**	7,798,120
		7,831,380	7,798,120
Expenses			
Employee benefits expense	5	**(5,603,570)**	(3,966,582)
Software development and other IT expense		**(1,136,078)**	(1,718,026)
Consulting and professional service expense		**(1,827,883)**	(2,243,546)
Advertising and marketing expense		**(648,638)**	(538,710)
Occupancy, utilities and office expense		**(896,844)**	(205,611)
Depreciation and amortisation expense	5	**(1,235,607)**	(716,418)
Travel expense		**(27,726)**	(16,602)
Asset Impairment		**(3,158,029)**	-
Finance expenses	5	**(628,550)**	(399,274)
Other expense		**(682,984)**	(659,580)
Total expenses		**(15,845,909)**	(10,464,349)
Loss before income tax expense from continuing operations		**(8,014,529)**	(2,666,229)
Income tax expense	7	**-**	-
Loss after income tax for the year		**(8,014,529)**	(2,666,229)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(31,942)**	-
Total comprehensive loss for the year		**(8,046,471)**	(2,666,229)
Loss per share			
Basic loss per share (cents)	6	**(1.23)**	(0.42)
Diluted loss per share (cents)	6	**(1.23)**	(0.42)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2023

	Note	2023 $	2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**1,210,930**	1,962,966
Trade and other receivables	9	**2,362,179**	2,993,101
TOTAL CURRENT ASSETS		**3,573,109**	4,956,067
NON-CURRENT ASSETS			
Property, plant and equipment & Right-of-use asset	10	**41,699**	262,306
Intangible assets	11	**7,124,265**	9,108,820
Other assets	26	**85,002**	85,001
TOTAL NON-CURRENT ASSETS		**7,250,966**	9,456,127
TOTAL ASSETS		**10,824,075**	14,412,194
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**2,407,522**	2,155,116
Current tax liabilities		**1,503,126**	175,072
Lease liabilities	18	**-**	84,024
Make-Good Provision		**104,000**	-
Employee benefits	14	**299,334**	275,767
Contract liabilities	28	**1,970,964**	843,058
Other liabilities	12	**-**	1,500,000
TOTAL CURRENT LIABILITIES		**6,284,946**	5,033,037
NON-CURRENT LIABILITIES			
Borrowings	27	**3,586,175**	3,333,333
Lease liabilities	18	**-**	167,157
Employee benefits	14	**58,561**	51,477
TOTAL NON-CURRENT LIABILITIES		**3,644,736**	3,551,967
TOTAL LIABILITIES		**9,929,682**	8,585,004
NET ASSETS		**894,393**	5,827,190
EQUITY			
Issued capital	15	**33,663,769**	31,604,804
Reserves	16	**4,835,069**	3,901,118
Accumulated losses		**(37,604,445)**	(29,678,732)
TOTAL EQUITY		**894,393**	5,827,190

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

2023

	Share Capital	Reserve	Foreign Translation Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at July 1, 2022	**31,604,804**	**3,901,118**	**-**	**(29,678,732)**	**5,827,190**
Total comprehensive loss for the year	**-**	**-**	**-**	**(8,014,529)**	**(8,014,529)**
Opening balance adjustment	**-**	**-**	**-**	**(1,184)**	**(1,184)**
Other movements	**-**	**-**	**(31,942)**	**-**	**(31,942)**
Transactions with Equity holders in their capacity as Equity holders					
Shares issued	**2,058,965**	**-**	**-**	**-**	**2,058,965**
Options granted	**-**	**-**	**-**	**-**	**-**
Share-based payment expense	**-**	**1,055,893**	**-**	**-**	**1,055,893**
Options expired/forfeited	**-**	**(90,000)**	**-**	**90,000**	**-**
Balance at 30 June 2023	**33,663,769**	**4,867,011**	**(31,942)**	**(37,604,445)**	**894,393**

AD1 Holdings Limited

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

2022

	Share Capital	Reserve	Accumulated Losses	Total
	$	$	$	$
Balance at July 1, 2021	29,156,778	1,606,434	(27,012,503)	3,750,709
Total comprehensive loss for the year	-	-	(2,666,229)	(2,666,229)
Transactions with Equity holders in their capacity as Equity holders				
Shares issued	2,032,000	-	-	2,032,000
Options granted	-	1,855,909	-	1,855,909
Capital raising costs	(56,680)	-	-	(56,680)
Share-based payment expense	-	632,923	-	632,923
Business acquisition	472,706	-	-	472,706
Options expired/forfeited	-	(194,148)	-	(194,148)
Balance at 30 June 2022	31,604,804	3,901,118	(29,678,732)	5,827,190

The accompanying notes form part of these financial statements.

AD1 Holdings Limited

ACN 123 129 162

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**7,300,923**	6,789,561
Payments to suppliers and employees (inclusive of GST)		**(7,450,156)**	(7,786,129)
Government grants and R&D claims		**1,778,096**	514,974
Income taxes paid		**(265,794)**	(262,608)
Interest received		**-**	(1,102)
Interest and other costs of finance paid		**(517,328)**	(385,179)
Net cash inflow/(outflow) from operating activities	22	**845,741**	(1,130,483)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(3,326)**	(19,649)
Payments for software development		**(2,304,255)**	(3,171,509)
Acquisition of Art of Mentoring Pty Ltd (net of cash acquired)		**-**	(1,000,000)
Net cash inflow/(outflow) from investing activities		**(2,307,581)**	(4,191,158)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital raising		**768,965**	2,032,000
Borrowings		**-**	5,000,000
Capital raising costs		**-**	(56,680)
Transaction costs relating to loans and borrowings		**-**	(150,000)
Repayments of lease liabilities		**(59,161)**	(64,147)
Net cash inflow/(outflow) from financing activities		**709,804**	6,761,173
Net increase/(decrease) in cash and cash equivalents held		**(752,036)**	1,439,532
Cash and cash equivalents at beginning of year		**1,962,966**	523,434
Cash and cash equivalents at end of financial year	8	**1,210,930**	1,962,966

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2023

1 General information and basis of preparation

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 2023. 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.

Significant changes in the current reporting period

There were no significant changes on the entities in the Group during the financial year.

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.

(iv) 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 consolidated financial statements include the assets and liabilities of the Company and its controlled entity as at the end of the financial year.

An entity is 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

1 General information and basis of preparation (continued)

Basis of Preparation (continued)

consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

Going Concern Basis

During the year the Group incurred a loss of $8,014,529 and had net cash inflows from operating activities of $845,741. The financial position of the Group at 30 June 2023 shows an excess of current liabilities over current assets of $2,711,836. Included in these liabilities are borrowings with Pure Asset Management (Note 27) which are subject to specific covenants which are a minimum cash holding and a trailing 6-month net cash flow, both of which are tested quarterly beginning 30 September 2023.These covenants were renegotiated at the time of the May 2023 capital raising and included a waiver of any previous actual or potential events of default. Further, as disclosed in Note 27, post year-end the Group has acted to avoid a potential breach by receiving a waiver with respect to reporting on the above covenants. These conditions indicate a material uncertainty that may cast doubt about the Group's ability to continue as a going concern and that it may be unable to release its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors

- Recent contract wins, and existing revenue streams along with strong pipeline of the Group, Specifically Art of Mentoring Pty Ltd and its launch to the US market. Strong revenue growth is continued within the Australian market as a leading mentoring platform with strong returns being articulated by clients. Renewals continue to be strong and recently clients are expanding programs within their respective businesses due to the successful rollouts of programs. The beginning of FY24 has seen strong growth in facilitated workshops which are strong presales enablers and also seen as valuable contributors as upsell opportunities. The management team are actively pursuing these opportunities as they continue to strengthen customer relationships

- Cost management across the group has been a key focus over the last 612 months. We have seen considerable reduction in costs whereby we have over $1m+ savings in overheads due to recent restructures and avoidance of waste within the business. We expect those to be fully realised in H2 FY24 and only grow inline with scalable growth. In instances the recently appointed management team are actively pursuing scalable processes, using digital technologies to assist and enhance the customer experiences in using our products. These cost savings are exclusive of the group's avoidance of USS costs due to the newly arranged sublicensing agreement during FY23. The USS business should remain breakeven or provide a small profit into the FY24 year.

- The Directors believe that there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance its portfolio through the ongoing support of key shareholders and lenders evidenced by the renegotiation of the senior lender (Pure Asset Management) and the recent rights issue through May 2023. The Group would be dependent on successful R&D tax refunds as well as raising capital during FY24 to enable historical debts to be extinguished.

In the event that the capital raising or R&D refund be unsuccessful or Pure Asset Management withdraw their support, there would be a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

2 New and amended standards and interpretations

(a) New and amended standards adopted by the group

The Consolidated entity has adopted all of the new, revised or amending Accounting standards and Interpretation issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Consolidated Entity has elected to early adopt AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants, in conjunction with, AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current. The amendments within AASB 2022-6, build upon the amendments contained within AASB 2020-1 and consequently, we describe the effect of these amendments at a combined level. This adoption amends AASB 101 and improves the disclosure of liabilities arising from loan arrangements in our financial statements. By adopting these amendments early, the Company aims to enhance the information provided to our stakeholders regarding our loan arrangements and their classification as either current or non-current. This early adoption allows us to benefit from the clarity and guidance provided by AASB 2022-6 and AASB 2020-1, ensuring transparent and comprehensive reporting of our financial position. We believe that early adoption of these standards will result in more meaningful financial statements for our stakeholders.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 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 when to recognise revenue, the Group follows a 5-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

3 Significant accounting policies (continued)

(a) Revenue from contracts with customers (continued)

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 compliment to the broader range of services provided by the Group. Revenue for IT development and consulting is recognised at a point in time when services are rendered and invoiced on a time and materials basis or for larger IT projects, when the fulfillment 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 where there is a reasonable certainty that the grant will be received and the Group will comply with all attached conditions.

3 Significant accounting policies (continued)

(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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with

3 Significant accounting policies (continued)

(d) Business combinations (continued)

limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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 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:

- Office furniture and equipment 3-20 years

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

3 Significant accounting policies (continued)

(h) Intangible assets

(i) Goodwill

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 programmes 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.

3 Significant accounting policies (continued)

(h) Intangible assets (continued)

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 11(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

3 Significant accounting policies (continued)

(m) Employee benefits (continued)

current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave are therefore 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 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 twelve 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

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

3 Significant accounting policies (continued)

(m) Employee benefits (continued)

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset

3 Significant accounting policies (continued)

(o) Leases (continued)

throughout the period of use, considering its rights within the defined scope of the contract

- 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 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

3 **Significant accounting policies (continued)**

(q) Earnings per share (continued)

- 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 judgment and estimation on the useful life of the assets.

3 Significant accounting policies (continued)

(t) Critical accounting estimates and assumptions (continued)

(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.

(v) Research and Development

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 the hypothesis of the project.

4 Revenue and Other Income

Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers:

	2023 $	2022 $
Rendering of services disaggregation:		
Managed services (including SaaS and business process outsourcing)	**4,979,450**	5,289,293
IT Development and Consulting	**1,422,490**	697,097
	6,401,940	5,986,390
Timing of revenue recognition		
- At a point in time	**4,008,776**	2,395,228
- Over time	**2,393,164**	3,591,162
	6,401,940	5,986,390

4 Revenue and Other Income (continued)

Revenue from contracts with customers (continued)

(b) Information about major customers:

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

	2023	2022
	%	%
Customer 1	**41**	25
Customer 2	**-**	20

Other income

	2023	2022
	$	$
Research and development tax incentive	**1,428,784**	1,810,158
Other Income	**100**	-
	1,428,884	1,810,158

5 Expenses

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

	2023	2022
	$	$
Employee benefit expense		
Share-based payment	**1,055,892**	632,923
Salaries and wages	**3,510,391**	2,258,661
Superannuation	**520,644**	514,293
Other employee related expenses	**516,643**	560,705
	5,603,570	3,966,582
Depreciation and amortisation expense		
Depreciation of right-of-use assets	**84,322**	87,387
Depreciation of other property, plant and equipment	**20,504**	20,681
Amortisation of intangible assets	**1,130,781**	608,350
	1,235,607	716,418
Finance expense		
Interest expense on lease liability	**21,725**	14,095
Other interest expenses	**606,825**	385,179
	628,550	399,274

6 Loss per Share

	2023	2022
	Cents	**Cents**
Basic loss per share	**(1.23)**	(0.42)
Diluted loss per share	**(1.23)**	(0.42)
Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	**(8,014,529)**	(2,666,229)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**649,847,441**	628,221,982

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2023 and 30 June 2022 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

7 Income Tax Expense

(a) Income tax expense

	2023	2022
	$	**$**
Current tax	**-**	-

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

	2023	2022
	$	**$**
Loss from continuing operations before income tax expense	**(8,014,529)**	(2,666,229)
Tax at the Australian tax rate of 25.0% (2022: 25.0%)	**25.00%**	25.00%
	(2,003,632)	(666,557)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable R&D rebate	**(133,893)**	(251,985)
Non-allowable expenses	**456,310**	519,053
Tax losses and other timing differences for which no DTA is recognised	**1,681,215**	399,489
Income tax expense	**-**	-

7 Income Tax Expense (continued)

(c) Unrecognised deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 25% (2022: 25%) 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.

	2023	2022
	$	$
Deferred tax assets not recognised at the reporting date		
Unused tax losses	**27,350,010**	23,065,064
Potential tax benefit at 25% (2022: 25%)	**6,837,503**	5,766,266

8 Cash and Cash Equivalents

	2023	2022
	$	$
Cash at bank	**1,210,930**	1,962,966
	1,210,930	1,962,966

9 Trade and other receivables

	2023	2022
	$	$
CURRENT		
Trade receivables	**377,898**	235,296
Unbilled revenue	**150,540**	481,778
Prepayments	**297,194**	291,053
R&D tax claim receivable	**1,215,229**	1,810,158
Other receivables	**321,318**	174,816
	2,362,179	2,993,101

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 $22,136 (2022: $0) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023. Note 24(b) includes disclosures relating to the credit risks exposures and analysis relating to the allowance for expected credit losses.

Notes to the Financial Statements

For the Year Ended 30 June 2023

10 Property, plant and equipment & Right-of-use asset

	Office furniture and equipment	Right-of-use asset	Total
	$	$	$
As at 30 June 2021			
Cost	171,354	399,094	570,448
Accumulated depreciation	(114,291)	(352,441)	(466,732)
Net book value	57,063	46,653	103,716
Movements:			
Opening net book value	57,063	46,653	103,716
Additions	19,649	247,009	266,658
Disposals	-	-	-
Lease expiry	-	(399,094)	(399,094)
Depreciation on expiry	-	399,094	399,094
Depreciation charge	(20,681)	(87,387)	(108,068)
Closing net book value	56,031	206,275	262,306
As at 30 June 2022			
Cost	191,003	247,009	438,012
Accumulated depreciation	(134,972)	(40,734)	(175,706)
Net book value	56,031	206,275	262,306
Movements:			
Opening net book value	56,031	206,275	262,306
Additions	6,172	-	6,172
Disposals	-	(121,953)	(121,953)
Depreciation charge	(20,504)	(84,322)	(104,826)
Closing net book value	41,699	-	41,699
As at 30 June 2023			
Cost	197,176	125,056	322,232
Accumulated depreciation	(155,477)	(125,056)	(280,533)
Net book value	41,699	-	41,699

11 Intangible Assets

(a) Intangible assets

	Goodwill (Restated)	Software and licenses	Customer contracts	Total
	$	$	$	$
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
Movements:				
Opening net book value	3,953,191	2,042,699	548,588	6,544,478
Additions	-	3,172,692	-	3,172,692
Amortisation and/or impairment charge	-	(421,670)	(186,680)	(608,350)
Closing net book value	3,953,191	4,793,721	361,908	9,108,820
As at 30 June 2022				
Cost	3,953,191	5,215,391	548,588	9,717,170
Accumulated amortisation	-	(421,670)	(186,680)	(608,350)
Net book value	3,953,191	4,793,721	361,908	9,108,820
Movements:				
Opening net book value	3,953,191	4,793,721	361,908	9,108,820
Additions	-	2,304,255	-	2,304,255
Amortisation	-	(1,062,014)	(68,767)	(1,130,781)
Impairment charge	(1,695,139)	(1,462,890)	-	(3,158,029)
Closing net book value	2,258,052	4,573,072	293,141	7,124,265
As at 30 June 2023				
Cost	3,953,191	7,519,646	548,588	12,021,425
Accumulated amortisation/impairment	(1,695,139)	(2,946,574)	(255,447)	(4,897,160)
Net book value	2,258,052	4,573,072	293,141	7,124,265

(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: 3-5 years
- Customer contracts: 3-6 years

11 Intangible Assets (continued)

(a) Intangible assets (continued)

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 national energy crisis has impacted the Utility Software Services Pty Ltd ("USS") business, with the company witnessing a 12% decline in revenues on a YTD basis, as a result of LPE exiting the retail market. Subsequently the group has managed costs in line with this reduction. USS had worked very closely throughout the year on a billing platform for a large multinational under a fee for service arrangement however despite best efforts the contract did not convert. As a result the forecast cash flows on which the carrying value of goodwill and intangibles had been assessed last year end showed indicators of impairment. Accordingly the directors determined to record an impairment charge to value of USS goodwill of $1,195,139 and the carrying value of USS capitalised software costs of $1,462,890. Post impairment the carrying value of both goodwill and capitalised software costs relating to USS is nil.

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:

AoM:

- Discount rate is the weighted average cost of capital (WACC) for the group, estimated at 18% per annum.
- Revenue growth rate of 37% per annum from FY23 to FY28. Budgeted growth beyond FY24 is based on cumulative past performance and management's expectations of market development, customer retention and new opportunities.
- Overheads % of revenue rate to average of 30% per annum from FY23 to FY28.
- Terminal value is calculated based on a growth rate of 1% per annum.

Upon applying the value-in-use calculations and sensitivity tests across the AoM CGU it was determined that the carrying amount of goodwill exceed its recoverable amount giving rise to a $500k impairment expense as at 30 June 2023.

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 and believe that any reasonable possible change in the key assumptions would not cause the carrying values to be unsupported.

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.

12 Other liabilities

	2023	2022
	$	$
Other current liabilities		
Other non-current liabilities		
Contingent consideration - Tranche 3	-	1,500,000

Contingent consideration relates to the acquisition of Art of Mentoring. On 30th August 2022, AD1 Holdings has settled the final milestone payment for the acquisition of Art of Mentoring Pty Ltd (AoM). It has issued 24,916,943 fully paid ordinary shares for consideration of $1.5m, refer to Note 15. The shares whilst issued, are sitting in escrow until August 2024.

13 Trade and other payables

	2023	2022
	$	$
CURRENT		
Trade payables	**1,208,108**	1,625,689
Accrued expense	**451,639**	248,604
Other payables	**747,775**	280,823
	2,407,522	2,155,116

Information on the liquidity risk management is presented in Note 24(c).

14 Employee benefit obligations

	2023	2022
	$	$
Current		
Annual leave	**299,334**	275,767
Non-current		
Long service leave	**58,561**	51,477

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 $212,528 (2022: $195,795).

15 Share capital

(a) Ordinary shares

	2023 No.	2023 $	2022 No.	2022 $
Ordinary shares - Fully paid	**788,008,110**	**33,663,769**	675,814,348	31,604,804

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.

As referred to in Note 12, the shares issued as part of the Art of Mentoring acquisition currently sit in escrow and are not accounted for in the ordinary shares outstanding.

(b) Movements in ordinary share capital

	Number of shares	$
As at 30 June 2021	604,456,397	29,156,778
Shares issued - Oct 21 placement	57,875,000	1,852,000
Shares issued - Jan 22 placement	5,625,000	180,000
Less: capital raising costs	-	(56,680)
Art of Mentoring tranche 2 completion payment	7,857,951	472,706
As at 30 June 2022	675,814,348	31,604,804
Results of entitlement offer	112,193,762	558,965
As at 30 June 2023	**788,008,110**	**32,163,769**

During the year-ended 30 June 2023, the Company issued the following securities:

Date	Details	No. of Shares	Issue Price $	Amount $
2022				
15 Oct 2021	Issue of new ordinary shares under Placement	63,500,000	0.032	2,032,000
01 Nov 2021	Capital raising costs	-	-	(56,680)
01 Nov 2021	Art of Mentoring Tranche 2 Completion Payment	7,857,951	0.060	472,706
		71,357,951		2,448,026
2023				
12 May 2023	Results of Entitlement Offer	112,193,762	0.005	558,965
		112,193,762		558,965

16 Reserves

(a) Options reserve

	2023 No.	2023 $	2022 No.	2022 $
Options over ordinary shares	**299,633,333**	**4,867,011**	305,589,492	3,901,118
Foreign Currency Translation Reserve				
Balance at beginning of the year	-	(31,942)	-	-
Total Reserves	299,633,333	4,835,069	305,589,492	3,901,118

The reserve is used to recognise:

• the fair value of options issued to employees but not exercised.

• the fair value of options issued for goods and services received but not exercised.

• exchange differences on translating foreign controlled entities.

(b) Movements in options reserve

	Number of options	$
As at 30 June 2021	245,297,811	1,606,434
Issue of new options over ordinary shares	115,716,575	1,855,909
Share-based payment expense	-	632,923
Options forfeited/expired	(55,424,894)	(194,148)
As at 30 June 2022	305,589,492	3,901,118
Share-based payment expense	-	1,055,893
Options forfeited/expired	(5,956,159)	(90,000)
As at 30 June 2023	**299,633,333**	**4,867,011**

16 Reserves (continued)

(b) Movements in options reserve (continued)

Date	Details	No. of options	Amount $
2022			
26 Oct 2020	Options granted - ESOP	1,000,000	11,401
07 May 2021	Options granted - Supplier	11,000,000	87,841
07 Jul 2021	Options forfeited	(20,300,000)	(85,910)
10 Sep 2021	Options forfeited	(6,000,000)	(28,557)
04 Oct 2021	Options lapsed	(8,555,547)	-
28 Oct 2021	Options granted - Capital raise	14,468,754	-
27 Nov 2021	Options underwriting	5,914,488	90,000
21 Dec 2021	Options lapsed	(2,777,776)	-
24 Dec 2021	Options granted - Debt facility	83,333,333	1,666,667
22 Apr 2022	Options forfeited	(6,000,000)	(49,726)
30 Jun 2022	Options forfeited	(5,000,000)	(29,955)
30 Jun 2022	Options forfeited	(6,791,571)	-
30 Jun 2022	Share-based payment expense	-	632,923
		60,291,681	2,294,684
2023			
30 Jun 2023	Options forfeited	(5,956,159)	(90,000)
30 Jun 2023	Share-based payment expense	-	1,055,893
		(5,956,159)	965,893

(c) Outstanding options

Grant date	Expiry date	Exercise price	No. of options
15 Jun 2020	14 Jun 2024	$0.020	150,000
23 Jul 2020	22 Jul 2024	$0.050	333,333
23 Jul 2020	22 Jul 2024	$0.075	333,333
23 Jul 2020	22 Jul 2024	$0.100	333,334
15 Jun 2020	14 Jun 2025	$0.020	150,000
27 Nov 2020	27 Nov 2025	$0.200	65,500,000
27 Nov 2020	27 Nov 2025	$0.100	8,000,000
27 Nov 2020	27 Nov 2025	$0.300	33,250,000
27 Nov 2020	27 Nov 2025	$0.400	33,250,000
27 Nov 2020	23 Dec 2025	$0.100	75,000,000
24 Dec 2021	17 Dec 2025	$0.060	83,333,333
			299,633,333

17 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.

17 Share-based Payments (continued)

(a) Options granted during the period

The following options were issued during the current year:

	2023 No. of options	2023 Average exercise price $	2022 No. of options	2022 Average exercise price $
Opening balance	305,589,492	0.16	245,297,811	0.20
Granted during the year	-	-	115,716,575	0.06
Exercised during the year	-	-	-	-
Forfeited/expired during the year	(5,956,159)	0.16	(55,424,894)	0.07
Closing balance	**299,633,333**	**0.16**	**305,589,492**	**0.16**

(b) Fair value of options granted

The assessed fair value of options granted at grant date was determined using the black-scholes 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
15 Jun 2020	14 Jun 2024	0.020	150,000	0.029	Nil	139%	0.40%	15,333
23 Jul 2020	22 Jul 2024	0.050	333,333	0.029	Nil	139%	0.40%	15,333
23 Jul 2020	22 Jul 2024	0.075	333,333	0.029	Nil	139%	0.40%	14,667
23 Jul 2020	22 Jul 2024	0.100	333,334	0.029	Nil	139%	0.40%	14,000
15 Jun 2020	14 Jun 2025	0.020	150,000	0.045	Nil	139%	0.30%	1,089,498
27 Nov 2020	27 Nov 2025	0.200	65,500,000	0.045	Nil	139%	0.30%	840,000
27 Nov 2020	27 Nov 2025	0.100	8,000,000	0.045	Nil	139%	0.30%	411,000
27 Nov 2020	27 Nov 2025	0.300	33,250,000	0.045	Nil	139%	0.30%	402,000
27 Nov 2020	27 Nov 2025	0.400	33,250,000	0.045	Nil	139%	0.30%	145,000
27 Nov 2020	23 Dec 2025	0.100	75,000,000	0.045	Nil	139%	0.30%	98,000
24 Dec 2021	17 Dec 2025	0.060	83,333,333	0.033	Nil	104%	1.32%	1,666,667

(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:

	2023 $	2022 $
Expense from options granted in current year	**-**	1,855,909
Expense from options granted in prior year	**1,055,893**	632,923
Reversal of expense from options expired/forfeited in current year	**(90,000)**	(194,148)
Total	**965,893**	2,294,684

18 Leases

(a) Lease liabilities

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

	2023	2022
	$	$
Current	-	84,024
Non-current	-	167,157
Total	**-**	251,181

The lease liability was associated with the USS business which is now under a sub-license agreement and as such all lease obligations were terminated.

(b) Lease payments not recognised as a liability

As at 30 June 2023, 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.

19 Investments in controlled entities

The Group's principal subsidiaries at 30 June 2023 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.

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Parent Entity			
AD1 Holdings Limited	Australia	**-**	-
Controlled entity			
Utility Software Services Pty Ltd	Australia	**100**	100
Art of Mentoring Holdings Pty Ltd	Australia	**100**	100
Art of Mentoring Pty Ltd	Australia	**100**	100
Art of Mentoring Inc.	USA	**100**	100

20 Key Management Personnel Remuneration

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

	2023	2022
	$	$
Short-term employee benefits	**522,883**	746,993
Post-employment benefits	**26,369**	208,602
Share-based payments	**709,180**	613,373
	1,258,432	1,568,968

21 Related Party Transactions

The Group's related parties comprise of subsidiaries and key management personnel.

Disclosures relating to key management personnel are set out in the remuneration report. Transactions between the parent company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

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.

	2023	2022
	$	$
Revenue from contract with customer (Blue NRG)	**2,875,496**	1,350,272
Payment for electricity supplied (Blue NRG)	**4,465**	4,692
Receivables for services rendered (Blue NRG)	**75,643**	-
Payables for M&A and corporate advisory services (More Investment & Capital Heights)	**39,379**	56,625
Total	**2,994,983**	1,411,589

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

22 Cash Flow Information

	2023	2022
	$	$
Net loss for the year	**(8,014,529)**	(2,666,229)
Non-cash flows in profit:		
- amortisation	**-**	608,350
- depreciation	**1,235,607**	108,068
- impairment	**3,158,029**	-
- share-based payments expense	**1,055,892**	632,923
- changes in fair value of contingent consideration	**-**	365,340
- interest expense	**628,550**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**630,921**	(1,119,814)
- (increase)/decrease in other current assets	**924,705**	-
- increase/(decrease) in trade and other payables	**227,063**	456,477
- increase/(decrease) in contract liability	**1,127,906**	-
- increase/(decrease) in lease liability	**(84,024)**	-
- increase/(decrease) in provisions	**127,567**	193,359
- increase/(decrease) in other current liabilities	**(171,946)**	291,043
Cashflows from operations	**845,741**	(1,130,483)

23 Parent entity

(a) Summary financial information

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

	2023	2022
	$	$
Consolidated Statement of Financial Position		
Assets		
Current assets	**2,640,878**	4,429,872
Total Assets	**8,646,114**	13,056,880
Liabilities		
Current liabilities	**(17,475)**	1,568,968
Total Liabilities	**(3,620,192)**	(5,972,240)
Equity		
Share capital	**32,163,770**	31,604,804
Accumulated losses	**(31,913,453)**	(28,421,283)
Options reserve	**4,775,605**	3,901,119
Total Equity	**5,025,922**	7,084,640
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	**3,582,169**	2,196,014
Total comprehensive loss	**3,582,169**	2,196,014

(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

23 Parent entity (continued)

(b) Determining the parent entity financial information (continued)

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 2023 (2022: nil).

24 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.

24 Financial Risk Management (continued)

(ii) Interest rate risk (continued)

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
	%	$	$	$	$
2023					
Financial assets					
Cash at bank	-	-	1,210,930	-	1,210,930
Trade and other receivables	-	-	-	2,362,179	2,362,179
Other non-current assets	3.35	85,002	-	-	85,002
Financial liabilities					
Borrowings	9.95	(3,586,175)	-	-	(3,586,175)
Trade and other payables	-	-	-	(2,407,522)	(2,407,522)
Net position	-	(3,501,173)	1,210,930	(45,343)	(2,335,586)
2022					
Financial assets					
Cash at bank	-	-	1,962,966	-	1,962,966
Trade and other receivables	-	-	-	2,993,101	2,993,101
Other non-current assets	0.25	85,001	-	-	85,001
Financial liabilities					
Borrowings	9.95	(3,333,333)	-	-	(3,333,333)
Trade and other payables	-	-	-	(2,155,116)	(2,155,116)
Lease liabilities	9.95	(251,181)	-	-	(251,181)
Net position	-	(3,499,513)	1,962,966	837,985	(698,562)

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

	2023	2022
	$	$
Market interest rates charged by ± 50 basis points	**± (17,506)**	± (831)

(iii) Price risk

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

24 Financial Risk Management (continued)

(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.

	2023	2022
	$	$
Cash at bank	**1,210,930**	1,962,966
Receivables	**2,362,179**	2,993,101
Maximum exposure to credit risk	**3,573,109**	4,956,067

(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.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2023 nd 30 June 2022 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.

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.

24 Financial Risk Management (continued)

On the above basis the expected credit loss for trade receivables as at 30 June 2023 was determined as follows (for the financial year ended 30 June 2022 the expected credit loss was immaterial).

Amounts older than 60 days owing are reviewed and where appropriate taken up as a provision for doubtful debts. This process is completed monthly. As at 30 June 2023, $22,136 was booked as an allowance for expected credit losses against the total amount owed by the debtors. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with its customer to mitigate this risk.

The closing balance of the of the trade receivables loss allowance as at 30 June 2023 reconciles with the trade receivables loss allowance opening balance as follows:

	$
Loss allowance as at 30 June 2022	0
Loss allowance recognised during the year	22,136
Loss allowance as at 30 June 2023	**22,136**

(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
	%	$	$	$	$
2023					
Financial liabilities					
Borrowings	9.95	-	3,586,175	-	3,586,175
Trade and other payables	-	2,407,522	-	2,407,522	2,407,522
	-	2,407,522	3,586,175	2,407,522	5,993,697
2022					
Financial liabilities					
Borrowings	9.95	-	3,333,333	5,000,000	3,333,333
Trade and other payables	-	2,155,116	-	2,155,116	2,155,116
Lease liabilities	9.95	84,024	-	84,024	84,024
	-	2,239,140	3,333,333	7,239,140	5,572,473

25 Remuneration of auditors

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

	2023	2022
	$	$
Remuneration of Company's auditor, PKF, for:		
- audit of financial statements	**65,000**	52,500
- other services	**-**	-
	65,000	52,500

26 Other assets

	2023	2022
	$	$
NON-CURRENT		
Bank guarantee	**85,002**	85,001
	85,002	85,001

27 Borrowings

	2023 $	2022 $
NON-CURRENT		
Secured liabilities:		
Convertible notes	**3,586,175**	3,333,333
	3,586,175	3,333,333
Total non-current borrowings	**3,586,175**	3,333,333

The Company entered into a 4-year secured loan facility agreement for $5 million at an interest rate of 9.95% per annum with 83,333,333 detached warrant shares which settled on 24 December 2021. The options were valued at $1,413,825. During the year agreement was made to capitalise interest costs associated with the March and June quarters. This was in lieu of cash.

The lender may elect at any time up to 17 December 2025, to convert all their warrant shares in tranches of 500,000 per conversion, at a rate of 1 share for every warrant share converted. The noteholder is not entitled to any additional payments on account for this conversion. If the noteholder does not convert all of their warrant shares during the exercise period then the balance of the debt facility will be repaid on the repayment date on 24 December 2025.

As disclosed in 1 Basis of Preparation (Going Concern), the facility agreement was renegotiated during May 2023 which updated the applicable covenants and included a waiver of any previous actual or potential events of default. Upon renegotiation, the Group's loan facility is subject to compliance with the following financial covenants each quarter beginning 30 September 2023:

- Requirement to hold minimum cash and cash equivalents of $650,000 at the end of each quarter.

- The Group's tailing 6-month Net Cash Flow to remain above specific pre-set levels each quarter as agreed by the lender.

Subsequent to year end the Group has fulfilled its obligations to the lender by reporting on the aforementioned covenants at 30 September 2023. Upon reporting the Group's results the trailing 6-month Net Cash Flow exceeded the pre-set level, whilst the minimum cash holding covenant was below the requirement per the above conditions. In consultation with the lender the Group has acted to avoid a potential breach by receiving a waiver from the lender that the shortfall in relation to minimum cash holdings will not constitute an Event of Default as at 30 September 2023.

28 Contract Liabilities

	2023 $	2022 $
CURRENT		
Unearned development revenue billed in advance	**1,520,964**	843,058
Unearned sublicensing revenue paid in advance	**450,000**	-
	1,970,964	843,058

Unearned development revenue billed in advance is expected to be realised over the typical contract term of 12 to 24 months. The USS sub-licensing agreement will commence from 1 September 2023 for the period of the agreement, which is 18 months. Upon which, unearned sublicense revenue will begin to be realised.

Notes to the Financial Statements
For the Year Ended 30 June 2023

29 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022:nil).

30 Events occurring after the reporting date

No matter or circumstance has occurred subsequent to period 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 subsequent financial periods.

AD1 Holdings Limited

ACN 123 129 162

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes, as set out on pages 14 to 50, and the remuneration disclosures that are contained within the Remuneration Report within the Directors' report, set out on pages 6 to 12, are in with the *Corporations Act 2001* and:
    a. In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;
    b. In the directors' opinion the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1;
    c. In the directors' opinion the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
    d. The directors have been given the declaration required by s295A of the *Corporations Act 2001.*

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

On behalf of the Directors

Mr Nicholas Smedley

Interim Chair

Dated this 03 day of October 2023
Melbourne, Australia

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AD1 HOLDINGS LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of AD1 Holdings Limited (the Company) and its controlled entities (collectively the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the 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 of the consolidated entity 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 financial report of AD1 Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 1 in the financial report, which comments on conditions, including the current financial loss and net current liability position, along with other matters and assumptions set forth therein indicating that a material uncertainty exists that may cast doubt on the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be key audit matters to be communicated in our report. For the matters below, our description of how our audit addressed the matters is provided in that context.

Key Audit Matter	*How our audit addressed this matter*
Impairment of goodwill and indefinite life intangible assets As disclosed in Note 11 of the financial report, at 30 June 2023 the carrying value of goodwill totalled $2,258,052 (30 June 2022: $3,953,191). An annual impairment test for indefinite life intangible assets is required under AASB 136 *Impairment of Assets*. Management's testing has been performed using a discounted cash flow model (Impairment Model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the goodwill has been allocated. The evaluation of the recoverable amount requires the consolidated entity to exercise significant judgement in determining key assumptions, which include: • 5-year cash flow forecast; • growth rate and terminal growth factor; and • discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. Current testing led to the impairment of $1,595,139 of goodwill during the financial year. The carrying value of goodwill is a key audit matter due to: • the material carrying value of intangible assets; and • the level of judgement applied in evaluating management's assessment of impairment.	Our procedures included, but were not limited to, assessing and challenging: • the appropriateness of Management's determination of the CGU to which goodwill is allocated; • the reasonableness of the financial year 2024 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks; • the testing of inputs used in the Impairment Model, including the approved budget; • the determination of the discount rate applied in the Impairment Model, comparing to available industry data; • the short to medium term growth rates applied in the forecast cash flow, considering historical results, business strategies and available industry data; • the arithmetic accuracy of the Impairment Model; • Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and • the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 11.

Key Audit Matter	*How our audit addressed this matter*
Revenue Recognition As disclosed in Note 4 of the financial report, at 30 June 2023 the Group's operating revenue amounted to $6,401,940 (30 June 2022: $5,986,390). Note 3(a) *Revenue Recognition* describes the accounting policies applicable to distinct revenue streams which require different patterns of revenue recognition due to varying contractual terms, which require the identification of performance obligations and the determination of how the Group satisfies those obligations. This area is a key audit matter because of the financial significance of revenue to the consolidated statement of profit or loss and other comprehensive income, and the judgement involved in determining appropriate revenue recognition for these various services.	Our procedures included, but were not limited to, the following: • Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15; • Selecting a sample of revenue transactions to verify that revenue was being recognised in accordance with revenue recognition policies; • Analytically reviewing revenue streams against forecasts and prior corresponding period to identify and assess potential anomalies; • Testing the accuracy of deferred revenue recorded by the Group during the period; and • Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

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

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

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 consolidated entity'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 consolidated entity 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 and 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, individual 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 consolidated entity'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 consolidated entity'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 consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the consolidated entity 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 safeguards 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 period 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

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2023, 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, 3 October 2023

Kenneth Weldin
Partner

Additional Information for Listed Public Companies

30 June 2023

SHAREHOLDERS INFORMATION as at 28 September 2023

A. Distribution of equity securities

Analysis numbers of ordinary shareholders by size of holding:

Holding	Securities	%	No. of holders	%
100,001 and over	**773,115,416**	**98.11**	**365**	**43.71**
10,001 to 100,000	**14,242,978**	**1.81**	**341**	**40.84**
5,001 to 10,000	**570,096**	**0.07**	**63**	**7.54**
1,001 to 5,000	**75,749**	**0.01**	**24**	**2.87**
1 to 1,000	**3,871**	**0.00**	**42**	**5.03**
	788,008,110	**100.00**	**835**	**100.00**

Contingent consideration relates to the acquisition of Art of Mentoring. On 30th August 2022, AD1 Holdings has settled the final milestone payment for the acquisition of Art of Mentoring Pty Ltd (AoM). It has issued 24,916,943 fully paid ordinary shares. The shares whilst issued, are sitting in escrow until August 2024 refer to note 15.

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	Ordinary shares held	% of total shares issued
POTENTATE INVESTMENTS PTY LTD	146,819,680	18.63%
MORE CAPITAL HOLDINGS PTY LTD	57,192,857	7.26%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,244,497	5.74%
POTENTATE INVESTMENTS PTY LTD	38,357,478	4.87%
VAULT 60 PTY LTD	30,763,315	3.90%
DIXON TRUST PTY LIMITED	20,811,075	2.64%
MR MARK GREGORY KERR & MRS LINDA MARIE KERR	20,111,295	2.55%
MADDAANDMATTA PTY LTD	17,084,782	2.17%
GOLDEN POND INVESTMENTS PTY LTD	16,178,895	2.05%
MORCKSTOW PTY LTD	14,975,430	1.90%
HAMPTON EAST DEVELOPMENT PTY LTD	13,922,779	1.77%
B F A PTY LTD	10,884,615	1.38%
THEY CALL ME SPUTNIK PTY LTD	10,375,507	1.32%
B F A PTY LTD	7,812,500	0.99%
DOVETON KAY INVESTMENTS PTY LTD	7,277,776	0.92%
MR DOMENICO TONY AMATO	6,428,572	0.82%
MR WEI MING ZHANG	5,000,000	0.63%
GRAY FOAM SUPER FUND PTY LTD	5,000,000	0.63%
RICHARD MCINDOE	4,781,250	0.61%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,761,988	0.60%
INVIA CUSTODIAN PTY LIMITED	4,750,000	0.60%
	488,534,291	62%

Additional Information for Listed Public Companies
30 June 2023

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	146,819,680	18.63
MORE CAPITAL HOLDINGS PTY LTD	57,192,857	7.26
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,244,497	5.74
POTENTATE INVESTMENTS PTY LTD	38,357,478	4.87

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.

Additional Information for Listed Public Companies
30 June 2023

CORPORATE DIRECTORY

Directors
Mr Michael Norster Non-Executive Director
Mr Nicholas Smedley Non-Executive Director
Mr Todd Perkinson Chief Executive Officer

Company Secretaries
Todd Perkinson

Registered office and principal place of business
Level 4, Office 7
90 William Street
Melbourne 3000
03 8199 0455

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
Gadens Lawyers
Level 13, Collins Arch
447 Collins Street
Melbourne VIC 3000

Websites
www.ad1holdings.com.au
www.utilitysoftwareservices.com
www.artofmentoring.net
www.applydirect.com.au