

DUG Technology Ltd

Appendix 4E

Preliminary Final Report

ABN 99 169 944 334

Results for Announcement to the Market
Year Ended 30 June 2021

(previous corresponding period: Year ended 30 June 2020)

	30 June 2021	30 June 2020 Restated ¹	Change Up/(Down)	
	US\$'000	US\$'000	US\$'000	%
Revenue from ordinary activities	38,450	45,337	(6,887)	(15.2)
Other Income	2,925	4,330	(1,405)	(32.5)
Loss after tax from ordinary activities	(15,704)	(11,225)	(4,479)	(39.9)
Loss after tax attributable to members	(15,825)	(11,253)	(4,572)	(40.6)

¹ Comparative amounts for the year ended 30 June 2020 have been restated as more fully described in Note 9 to the attached preliminary financial statements.

Abbreviated Explanation of Results

	30 June 2021	30 June 2020 Restated ¹	Change Up/(Down)	
	US\$'000	US\$'000	US\$'000	%
EBITDA	(1,275)	10,001	(11,276)	(112.7)
Underlying EBITDA ²	1,956	9,276	(7,320)	(78.9)
Loss after tax attributable to members excluding non-recurring finance expenses, non-recurring and listed company costs ³	(10,777)	(7,206)	(3,571)	(49.5)

¹ Comparative amounts for the year ended 30 June 2020 have been restated as more fully described in Note 9 to the attached preliminary financial statements.

² Underlying EBITDA is EBITDA excluding non-recurring costs. During the year ended 30 June 2021, non-recurring costs of US\$3.3m include redundancy payments for c. 10% of the workforce mainly in the Services division, bad debt write-offs, the legal fees and settlement costs in respect of a patent dispute and additional leave provisions in non-Australian offices required due to changes in local regulations as part of COVID-19 relief packages. The prior year comparative period has been adjusted to take account of additional listed company costs not incurred in the period before listing.

³ In addition to the adjustments made to calculate Underlying EBITDA, "non-recurring" finance costs relating to transaction fees, interest and fair valuation of the convertible note instrument and IPO related costs are excluded. Non-recurring finance costs have been calculated at \$4.8m at 30 June 2020 and \$1.8m at 30 June 2021.

⁴ The above items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 - Disclosing non-IFRS financial information.

Revenue earned in the current year has been significantly impacted by activity levels in the Oil & Gas industry. Revenue from ordinary activities of US\$38.5m represents a decrease of 15.2% compared with the prior year. This decline in revenue is primarily in the Services division where COVID-19 and oil price volatility have led to subdued activities and delays in awarding projects.

Revenue earned in the Company's strategically important High-performance Computing as a Service ('HPCaaS') division has however increased by US\$1.6m as compared with the prior year with the strong growth during the first half of the year being sustained in the second half.

R&D concessions and other government grants are no longer disclosed as part of headline revenue but are shown as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The decrease in other income of US\$1.4m as compared with the prior year is mainly attributable to the proceeds of COVID-19 related government support received in the Group's American operations.

Excluding redundancy costs and additional leave pay provisioning in the Group's non-Australian jurisdictions, employee benefit costs have decreased by US\$1.0m as compared with the prior year. Other operating costs across the Group, adjusted for non-recurring costs have remained relatively constant when compared with year ended 30 June 2020.

Underlying EBITDA has decreased by US\$7.3m as compared with the prior year.

The loss after tax attributable to members after excluding non-recurring finance and operating expenses has increased by US\$3.6m when compared with the prior period.

Dividends and Dividend Reinvestment Plans

No dividend has been proposed or declared in respect of the year ended 30 June 2021 and there were no dividend reinvestment plans in operation during the year.

Control Gained/Lost Over Entities Having Material Effect

No control over any material entities was gained or lost during the financial year ended 30 June 2021.

Earnings/(Loss) per Share

	30 June 2021 US cents	30 June 2020 Restated US cents
Basic and diluted loss per share	(16.42 cents)	(17.82 cents)
	Number of Shares	Number of Shares
Weighted average number of shares outstanding during the year used in the calculation of basic and diluted earnings per share.	96,383,021	63,156,886

Net Tangible Assets per Share

	30 June 2021 US\$	30 June 2020 Restated US\$
Net tangible assets/(net deficiency) per share	0.12	(0.10)

Net tangible assets include right of use assets and lease liabilities as a result of the adoption of AASB16: *Leases* from 1 July 2019.

Status of the Audit

This report should be read in conjunction with the preliminary financial statements which are in the process of being audited.

Preliminary Financial Statements

All reports are based on preliminary unaudited results for the year ended 30 June 2021. All amounts disclosed are in the Company's functional currency, US Dollars, unless otherwise indicated.

Please refer to pages 4 through 15 of this report wherein the following are provided:

- Consolidated Income Statement of Profit or Loss and Other Comprehensive Income.
- Consolidated Statement of Financial Position.
- Consolidated Statement of Cash Flows.
- Consolidated Statement of Changes in Equity.
- Abbreviated Notes to the Consolidated Financial Statements.

Significant Subsequent Events

Subsequent to 30 June 2021, the termination date of the US\$17.8m Term Debt Facility with the Commonwealth Bank of Australia has been extended from 7 January 2022 to 1 July 2022. Furthermore, the Group is required to repay an amount of US\$6.3m during financial year ending 30 June 2022.

Mark Puze
DIRECTOR

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2021

	Note	30 June 2021 US\$	30 June 2020 Restated US\$
Income			
Revenue from contracts with customers	1	38,450,411	45,336,633
Other income	2	2,924,947	4,330,582
		<u>41,375,358</u>	<u>49,667,215</u>
Expenses			
Depreciation and amortisation		(7,416,262)	(8,976,944)
Employee benefits		(30,834,000)	(30,673,286)
Other expenses	3	(11,815,883)	(8,992,465)
Operating Profit/(Loss)		<u>(8,690,787)</u>	<u>1,024,520</u>
Finance income		-	3,458
Finance expense	4	(3,751,447)	(7,136,498)
Net finance expense		<u>(3,751,447)</u>	<u>(7,133,040)</u>
Loss before tax		<u>(12,442,234)</u>	<u>(6,108,520)</u>
Tax expense	5	(3,261,540)	(5,116,601)
Loss for the year		<u><u>(15,703,774)</u></u>	<u><u>(11,225,121)</u></u>
Attributable to:			
Equity holders of the parent		(15,825,153)	(11,253,267)
Non-controlling interest		121,379	28,146
Total Comprehensive Loss		<u><u>(15,703,774)</u></u>	<u><u>(11,225,121)</u></u>
Loss per share			
Basic and diluted loss per share (cents per share)	8	(16.42)	(17.82)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying abbreviated notes.

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	30 June 2021 US\$	30 June 2020 Restated US\$	1 July 2019 Restated US\$
ASSETS				
Current assets				
Cash and cash equivalents		10,015,732	12,032,545	1,987,849
Trade and other receivables		6,036,178	7,220,866	8,818,692
Prepayments		593,430	1,056,720	1,105,219
Contract assets		842,721	521,747	761,012
Other current assets		379,936	-	-
Total current assets		17,867,997	20,831,878	12,672,772
Non-current assets				
Deferred tax assets	5	-	-	1,162,485
Property, plant and equipment	6	23,073,941	22,499,917	26,525,166
Right to use asset		14,028,564	15,378,663	17,106,947
Intangible assets		454,987	312,224	375,124
Other assets		712,965	731,955	744,841
Total non-current assets		38,270,457	38,922,759	45,914,563
Total assets		56,138,454	59,754,637	58,587,335
LIABILITIES				
Current liabilities				
Trade and other payables		2,204,087	3,035,263	6,021,837
Loans and borrowings	7	17,764,583	15,579,850	2,472,160
Contract liability		2,704,241	2,367,396	2,137,201
Lease liabilities		2,171,162	2,475,001	1,303,049
Current tax liabilities		-	-	23,192
Provisions		3,239,155	2,563,029	2,001,500
Total current liabilities		28,083,228	26,020,539	13,958,939
Non-current liabilities				
Loans and borrowings	7	-	23,669,622	21,228,261
Lease liabilities		15,759,322	16,044,589	18,495,047
Provisions		186,100	239,823	261,936
Total non-current liabilities		15,945,422	39,954,034	39,985,244
Total liabilities		44,028,650	65,974,573	53,944,183
NET ASSETS		12,109,804	(6,219,936)	4,643,152
EQUITY				
Share capital		38,671,855	4,644,673	4,603,459
Reserves		(321,501)	(327,832)	(648,539)
(Accumulated loss)/Retained earnings		(26,240,550)	(10,536,777)	688,232
TOTAL EQUITY/(NET DEFICIENCY)		12,109,804	(6,219,936)	4,643,152
Equity attributable to equity holders of parent		12,020,593	(6,187,768)	4,703,466
Non-controlling interest		89,211	(32,168)	(60,314)
TOTAL EQUITY/(NET DEFICIENCY)		12,109,804	(6,219,936)	4,643,152

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying abbreviated notes.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2021

	Note	Share Capital US\$	Translation Reserve US\$	Share-based Payment reserve US\$	Retained Earnings/ (Accumulated Losses) US\$	Total US\$	Non-controlling Interests US\$	Total Equity US\$
Restated balance at 1 July 2020		4,644,673	(2,177,269)	1,849,437	(10,504,609)	(6,187,768)	(32,168)	(6,219,936)
(Loss)/Profit for the year		-	-	-	(15,825,153)	(15,825,153)	121,379	(15,703,774)
Total comprehensive (loss)/income for the year		-	-	-	(15,825,153)	(15,825,153)	121,379	(15,703,774)
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	6,331	-	6,331	-	6,331
Receipts from loan funded share plan		354,335	-	-	-	354,335	-	354,335
Shares issued during the period		33,672,847	-	-	-	33,672,847	-	33,672,847
Total transactions with equity holders		34,027,182	-	6,331	-	34,033,513	-	34,033,513
Balance at 30 June 2021		38,671,855	(2,177,269)	1,855,768	(26,329,762)	12,020,593	89,211	12,109,804
Balance at 1 July 2019		5,477,686	(2,177,382)	893,452	8,059,567	12,253,323	(16,739)	12,236,584
Restatements	9	(874,227)	-	635,166	(6,759,914)	(6,998,974)	(43,575)	(7,042,550)
Adoption AASB 16		-	113	-	(550,995)	(550,882)	-	(550,882)
Restated balance at 1 July 2019		4,603,459	(2,177,269)	1,528,618	748,658	4,703,466	(60,314)	4,643,152
(Loss)/Profit for the year (restated)		-	-	-	(11,253,267)	(11,253,267)	28,146	(11,225,121)
Opening balance adjustment (shares)		-	-	(11,148)	-	(11,148)	-	(11,148)
Total comprehensive (loss)/income for the year		-	-	(11,148)	(11,253,267)	(11,264,415)	28,146	(11,236,269)
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	331,967	-	331,967	-	331,967
Share issued during the period		41,214	-	-	-	41,214	-	41,214
Total transactions with equity holders		41,214	-	331,967	-	373,181	-	373,181
Restated balance at 30 June 2020		4,644,673	(2,177,269)	1,849,437	(10,504,609)	(6,187,768)	(32,168)	(6,219,936)

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying abbreviated notes.

Consolidated Statement of Cashflows
For the Year Ended 30 June 2021

	30 June 2021 US\$	30 June 2020 US\$
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	39,425,548	47,947,477
Cash paid to suppliers	(9,998,036)	(11,347,829)
Cash paid to employees	(31,536,357)	(30,808,415)
Income Tax paid	(806,731)	(1,043,793)
Receipt of Government Grants	83,199	1,511,457
Net cash flows (used in)/from operating activities	(2,832,377)	6,258,897
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,019,173)	(3,109,026)
Acquisition of intangible assets	(192,340)	(58,500)
Proceeds from disposal of property, plant and equipment	208,000	1,583
Net cash used in investing activities	(6,003,513)	(3,165,943)
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	18,509,400	-
Receipts from loan funded share plan	354,335	-
Proceeds from borrowings	-	4,383,544
Proceeds from convertible notes issued	-	12,062,624
Transaction costs relating to capital raising/borrowings	(1,449,703)	(891,287)
Costs relating to convertible notes issued	-	(602,514)
Repayment of borrowings	(6,099,929)	(4,572,653)
Payment of principal portion of lease liabilities	(2,474,939)	(1,467,859)
Interest paid - Lease liabilities	(800,420)	(788,027)
Interest paid - Convertible notes	(541,752)	-
Interest paid - Debt	(724,118)	(1,308,884)
Net cash flows from financing activities	6,772,873	6,814,943
Net (decrease)/increase in cash and cash equivalents	(2,063,017)	9,907,897
Cash and cash equivalents at the beginning of the year	12,032,545	1,987,849
Effect of changes in foreign currency	46,204	136,799
Cash and cash equivalents at the end of the year	10,015,732	12,032,545

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying abbreviated notes.

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

Basis of preparation

The preliminary financial statements relate to DUG Technology Ltd and its controlled entities ("the Group") for the year ended 30 June 2021 and has been prepared based on the requirements of rule 4.3A of the ASX listing rules (Appendix 4E).

Other than set out in Note 9, the accounting policies applied in these preliminary consolidated financial results are the same as those applied in the Group consolidated financial statements as at and for the year ended 30 June 2020.

	30 June 2021 US\$	30 June 2020 Restated US\$
NOTE 1 – REVENUE FROM CONTRACTS WITH CUSTOMERS		
Services	30,602,989	37,994,702
Software	5,164,871	6,278,702
High-performance Computing as a Service	2,682,551	1,063,229
Revenue	38,450,411	45,336,633
NOTE 2 – OTHER INCOME		
Government grant - R&D tax concession	2,841,748	2,819,125
Government grant - other	83,199	1,511,457
Other income	2,924,947	4,330,582
NOTE 3 – OTHER EXPENSES		
Sales and marketing	(387,739)	(753,922)
Facilities	(1,153,234)	(1,244,499)
Consultants	(1,533,712)	(1,156,383)
Loss on disposal of property, plant and equipment	(15,102)	(1,583)
Realised and unrealised foreign exchange gain/(loss) - net	(488,270)	158,513
IT facilities and related costs	(3,625,788)	(2,544,132)
Professional fees	(1,849,083)	(838,128)
Other	(2,762,955)	(2,612,331)
Other expenses	(11,815,883)	(8,992,465)
NOTE 4 – FINANCE EXPENSE		
Interest expense - debt	(704,130)	(1,110,312)
Debt arrangement fees	(94,960)	(123,837)
Interest expenses - leases	(1,134,349)	(1,129,383)
One off Convertible note - interest expense and foreign exchange	(630,012)	(871,933)
One off Convertible note - transaction cost	-	(602,514)
One off Convertible note - fair value loss (non-cash)	(708,801)	(2,545,671)
IPO and capital raising fees	(479,195)	(752,848)
Finance expense	(3,751,447)	(7,136,498)

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

NOTE 5 – INCOME TAX

The value of unused tax losses and temporary differences not recognised in the Consolidated Statement of Financial Position at 30 June 2021 was US\$14,421,554 (30 June 2020: US\$8,664,184).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US\$	Leasehold Improvements US\$	Office Equipment and Motor Vehicles US\$	Under Construction US\$	Total US\$
Cost					
Balance at 1 July 2019	51,576,234	4,923,342	1,691,402	1,904,560	60,095,538
Restatement at 1 July 2019	(116,002)	(387,396)			(503,398)
Additions	3,425,389	118,767	85,248	(520,378)	3,109,026
Reclassifications	(1,646)	-	-	412	(1,234)
Disposals	(455,170)	-	-	-	(455,170)
Restated balance at 30 June 2020	54,428,805	4,654,713	1,776,650	1,384,594	62,244,762
Balance at 1 July 2020 Restated	54,428,805	4,654,713	1,776,650	1,384,594	62,244,762
Additions	5,697,109	821	1,463	320,015	6,019,408
Reclassifications	1,069,590	-	-	(1,067,944)	1,646
Disposals	(2,113,122)	-	(120,061)	(208,000)	(2,441,183)
Balance at 30 June 2021	59,082,382	4,655,534	1,658,052	428,665	65,824,633
Accumulated depreciation					
Balance at 1 July 2019	30,076,626	1,769,153	1,360,880	-	33,206,659
Restatement at 1 July 2019	(28,999)	(110,685)	-	-	(139,684)
Depreciation	6,363,926	511,143	252,167	-	7,127,236
Reclassification	(1,212)	-	-	-	(1,212)
Disposals	(448,154)	-	-	-	(448,154)
Restated balance at 30 June 2020	35,962,187	2,169,611	1,613,047	-	39,744,845
Restated Balance at 1 July 2020	35,962,187	2,169,611	1,613,047	-	39,744,845
Depreciation	4,566,505	528,638	130,276	-	5,225,419
Reclassification	(1,527)	-	-	-	(1,527)
Disposals	(2,097,984)	-	(120,061)	-	(2,218,045)
Balance at 30 June 2021	38,429,181	2,698,249	1,623,262	-	42,750,692
Carrying amounts					
Restated at 30 June 2020	18,466,618	2,485,102	163,603	1,384,594	22,499,917
At 30 June 2021	20,653,201	1,957,285	34,790	428,665	23,073,941

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

NOTE 7 – LOANS AND BORROWINGS

	Bank Facilities US\$	Convertible Note US\$	Promissory Note US\$	Total US\$
30 June 2021				
Carrying value	17,764,583	-	-	17,764,583
Current	17,764,583	-	-	17,764,583
Non-current	-	-	-	-
	17,764,583	-	-	17,764,583
Restated 30 June 2020				
Carrying value	23,669,622	15,480,228	99,622	39,249,472
Current	-	15,480,228	99,622	15,579,850
Non-current	23,669,622	-	-	23,669,622
	23,669,622	15,480,228	99,622	39,249,472

As at 30 June 2021, the Group has the following facilities in place:

- Revolving facility of US\$7,000,000 (30 June 2020: US\$7,000,000), no portion of which was drawn down at 30 June 2021; and
- Term debt facilities of US\$17,805,000 (30 June 2020: US\$17,805,000) of which US\$17,764,583 was drawn down at 30 June 2021.

At 30 June 2021, the full amount of the term facility utilised is shown as a current liability as the facility had a termination date of 7 January 2022. Subsequent to 30 June 2021, the termination date of the facility has been extended to 1 July 2022. As part of this extension, the Group is required to make repayments during the year ending 30 June 2022 of \$6,250,000.

Convertible notes on issue at 30 June 2020 were converted into shares on 29 July 2020 at a price of A\$1.08.

NOTE 8 – LOSS PER SHARE

	30 June 2021 US\$	30 June 2020 Restated US\$
Basic and diluted loss per share (cents per share)	(16.42)	(17.82)
Loss used in calculating basic and diluted loss per share	(15,825,153)	(11,253,267)
	30 June 2021 Number	30 June 2020 Number
Weighted average number of ordinary shares used in calculating basic and adjusted diluted loss per share	96,383,021	63,156,886

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

NOTE 9 - ADJUSTMENTS TO COMPARATIVE PERIOD

During 2021, the Group identified certain matters which have resulted in adjustments to prior periods.

The impact on previously reported amounts is summarised in the tables below. In these tables, 'adjustments' refer to restatements with profit or loss impact while 'reclassifications' relate to those with no profit or loss impact.

The increase in the reported net loss for the year ended 30 June 2020 is mainly driven by the decision to not recognise deferred tax assets on the balance sheet as outlined in Note 9.4, offset by an increase in revenue arising from timing differences related to the reassessment of revenue recognition under AASB15 as outlined in Note 9.1.

Statement of Profit or Loss and other Comprehensive Income For the year ended 30 June 2020	Note	30 June 2020 As Reported US\$	30 June 2020 Adjustments US\$	30 June 2020 Reclassification US\$	30 June 2020 Restated US\$
Income					
Revenue from contracts with customers	9.1	49,404,945	1,057,816	(5,126,128)	45,336,633
Other income	9.1	-	-	4,330,582	4,330,582
		49,404,945	1,057,816	(795,546)	49,667,215
Expenses					
Depreciation and amortisation	9.2	(9,219,079)	242,135	-	(8,976,944)
Employee benefits	9.3	(30,425,508)	(247,778)	-	(30,673,286)
Other expense	9.5 & 9.1	(9,808,354)	20,344	795,546	(8,992,465)
Operating (Loss)/Profit		(47,996)	1,072,517	-	1,024,520
Finance income	9.5	49,756	(46,298)	-	3,458
Finance expense	9.2	(6,878,768)	(257,730)	-	(7,136,498)
Net finance expense		(6,829,012)	(304,028)	-	(7,133,040)
(Loss)/Profit before tax		(6,877,008)	768,488	-	(6,108,520)
Tax expense	9.4	(1,398,275)	(3,718,326)	-	(5,116,601)
Loss for the year		(8,275,283)	(2,949,838)	-	(11,225,121)
Basic and diluted loss per share (cents per share)					
		(13.04)	(4.78)		(17.82)

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

NOTE 9 – ADJUSTMENTS TO COMPARATIVE PERIOD (CONTINUED)

The decrease in net assets at 30 June 2020 is mainly driven by the decision to not recognise deferred tax assets on the balance sheet as outlined in Note 9.4 and the recognition of contract liabilities representing deferred revenue arising from timing differences related to the reassessment of revenue recognition under AASB15 as outlined in Note 9.1.

Statement of Financial Position As at 30 June 2020	Note	30 June 2020 As Reported US\$	30 June 2020 Adjustments US\$	30 June 2020 Reclassification US\$	30 June 2020 Restated US\$
ASSETS					
Trade and other receivables	9.1	7,812,598	(591,732)	-	7,220,866
Other current assets	9.6	1,272,693	-	(1,272,693)	-
Deferred tax assets	9.4	5,786,974	(5,786,974)	-	-
Property, plant and equipment	9.2	22,766,640	-	(266,723)	22,499,917
Right of Use Assets	9.2	12,266,875	2,845,065	266,723	15,378,663
Other non-current assets	9.6	918,690	(901,111)	714,376	731,955
TOTAL ASSETS		64,747,706	(4,434,752)	(558,317)	59,754,637
LIABILITIES					
Contract liability	9.1	444,984	1,922,412	-	2,367,396
Loans and Borrowings	9.2 & 9.6	40,054,990	-	(805,518)	39,249,472
Provisions	9.3	2,188,188	614,664	-	2,802,852
Lease liabilities	9.2	15,251,829	3,020,560	247,201	18,519,590
TOTAL LIABILITIES		60,975,254	5,557,636	(558,317)	65,974,573
NET ASSETS		3,772,452	(9,992,388)	-	(6,219,936)
EQUITY					
Share capital	9.5	5,518,900	(874,227)	-	4,644,673
Reserves	9.5	(962,998)	635,166	-	(327,832)
Retained earnings		(783,450)	(9,753,327)	-	(10,536,777)
TOTAL EQUITY/(NET DEFICIENCY)		3,772,452	(9,992,388)	-	(6,219,936)

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

NOTE 9 – ADJUSTMENTS TO COMPARATIVE PERIOD (CONTINUED)

		30 June 2019	1 July 2019	1 July 2019	1 July 2019	1 July 2019
Statement of Financial Position		As Reported	Adjustment	Reclass	Adopt	Restated
As at 1 July 2019	Note	US\$	US\$	US\$	AASB16 US\$	US\$
ASSETS						
Trade and other receivables	9.1	10,253,451	(1,434,759)	-	-	8,818,692
Other current assets	9.6	1,236,240	-	(1,236,240)	-	-
Deferred tax assets	9.4	3,232,039	(2,069,554)	-	-	1,162,485
Property, plant and equipment	9.2	26,888,879	-	(363,713)	-	26,525,166
Right of Use Assets	9.2	-	2,602,907	363,713	14,140,327	17,106,947
Other assets	9.6	874,227	(874,227)	744,851	-	744,851
Total assets		46,714,040	(1,775,633)	(491,399)	14,140,327	58,587,335
LIABILITIES						
Trade and other payables		8,016,536	-	-	(1,994,699)	6,021,837
Contract liability	9.1	-	2,137,201	-	-	2,137,201
Loans and Borrowings	9.2 & 9.6	24,541,179	-	(840,758)	-	23,700,421
Provisions	9.3	1,896,549	366,887	-	-	2,263,436
Lease liabilities	9.2	-	2,762,829	349,359	16,685,908	19,798,096
Total liabilities		34,477,456	5,266,917	(491,399)	14,691,209	53,944,183
NET ASSETS		12,236,584	(7,042,550)	-	(550,882)	4,643,152
EQUITY						
Share capital	9.5	5,477,686	(874,227)	-	-	4,603,459
Reserves	9.5	(1,283,818)	635,166	-	113	(648,539)
Retained earnings		8,042,716	(6,803,489)	-	(550,995)	688,232
TOTAL EQUITY/(NET DEFICIENCY)		12,236,584	(7,042,550)	-	(550,882)	4,643,152

The adjustments made are more fully described below:

9.1 A reassessment of the facts and circumstances associated with the adoption of *AASB 15: Revenue from Contracts with Customers* ('AASB 15') has led to the following changes in revenue recognition and disclosure:

- In the prior year, Software revenue was recognised on a 'right to use' basis where revenue was recorded at the point in time when a software licence was transferred to a customer. In the current year, the Group reassessed its performance obligations associated with its software contracts and considered it more appropriate that revenue be recognised over the term of the software contract as it was concluded that the licence creates a 'right of access'. This has resulted in the recognition of a Contract Liability of US\$2,137,201 at 1 July 2019 and an increase in Contract Liabilities at 30 June 2020 of US\$1,922,412. The impact on revenue recognised for the year ended 30 June 2020 was an increase of US\$214,790;

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

NOTE 9 – ADJUSTMENTS TO COMPARATIVE PERIOD (CONTINUED)

- The Group has reassessed its accounting treatment in relation to a collaborative agreement with a third-party company, whereby the current year accounting reflects the Group's underlying entitlement to revenue as per the contract with the third-party company. This has resulted in a decrease to Retained Earnings and Trade and other receivables at 1 July 2019 of US\$1,434,759, an increase of US\$843,026 in revenue for the year ended 30 June 2020 and a decrease to Trade and other receivables as 30 June 2020 of US\$591,732;
- In the prior year, the Group classified R&D concessions and other government grants of US\$4,330,582 as revenue in its Consolidated Statement of Profit or Loss and Other Comprehensive Income. As this receipt does not meet the requirements of revenue from contracts with customers, the Group considered it more appropriate to classify such items as Other income in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance; and
- The Group previously classified sales discounts provided to customers within Other Operating Expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Sales discounts granted of US\$795,546 have been reclassified from Other Operating Expense to Sales Revenue for the year ending 30 June 2020.

The net impact of the adjustments described above on Operating Profit/(Loss) for the year ended 30 June 2020 is an increase of US\$1,057,816.

9.2 As required by AASB16: *Leases* ('AASB 16'), the Group recognised Right of Use Assets and Lease Liabilities in the year ended 30 June 2020, adopting the modified retrospective method.

- In determining the amount recognised for Right of Use assets and Lease Liabilities on transition to AASB 16, the Group, applied certain assumptions with reference to underlying lease terms included in its lease contracts. In the current year, the Group completed a reassessment of the lease term associated with one of its infrastructure facilities taking into consideration contractual lease extension options. As a result of this reassessment, Right of Use assets recognised at 1 July 2019 increased by US\$2,602,907 and Lease Liabilities increased by US\$2,762,829. The impact of this change on the Loss for the year ended 30 June 2020 was an increase of US\$15,595.
- In the prior period, the outstanding balance on a facility used to fund a data centre fit-out in the Group's Malaysian operations was classified as part of Loans and Borrowings with the related assets included in the balance of Property, Plant and Equipment ('PP&E'). The Group has reassessed this and now accounts for this arrangement in terms of AASB16. As a result, PP&E has decreased by US\$363,713 at 1 July 2019 and by US\$266,723 at 30 June 2020 with a corresponding increase in Right of Use Assets. Loans and Borrowings have decreased by US\$349,359 at 1 July 2019 and by US\$247,201 at 30 June 2020.

9.3 In the current year the Group reviewed its obligations to employees in overseas jurisdictions, reassessing its annual leave liability where employees are entitled to varying levels of paid annual leave in each calendar year (defined as 1 January to 31 December). Such entitlements have been further impacted by changes to government regulations in each respective jurisdiction associated with COVID-19. Accordingly, in the current year the Group has calculated its annual leave liability for overseas jurisdictions resulting in an increase to the annual leave liability of US\$366,887 at 1 July 2019 and a further increase of US\$247,778 at 30 June 2020.

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

NOTE 9 – ADJUSTMENTS TO COMPARATIVE PERIOD (CONTINUED)

- 9.4 At the 30 June 2021 the Group has deferred tax assets amounting to US\$14,421,554 (30 June 2021: US\$8,664,184). A significant portion of these deferred tax assets were generated through investment in the data centre in Houston which qualified for an immediate tax deduction.

The Group has reassessed the accounting treatment for deferred tax assets and determined that, while it believes the tax losses will be fully utilised, prevailing economic conditions created uncertainty around the utilisation timeframe and therefore they should not be recognised in the balance sheet.

The impact of this adjustment is a reduction in deferred tax asset of US\$2,069,554 at 1 July 2019 and US\$5,786,974 at 30 June 2020.

Whilst such deferred tax assets are no longer recognised, they remain available to the Group to be used against future taxable income.

- 9.5 On 30 June 2012, the Group provided an unsecured loan to a senior executive amounting to AUD\$870,000 to enable the senior executive to acquire 2,400,000 fully paid ordinary shares in the Company. A reassessment of this arrangement has concluded that the arrangement is a limited recourse loan and meets the definition of a share-based payment under *AASB 2: Share Based Payment*. Accordingly, the loan (including accrued interest) that was previously disclosed as a component of Other Assets has been derecognised at 1 July 2019, with a corresponding amount adjusted against Equity at 1 July 2019. The impact on Other expenses for the year ended 30 June 2020 is a decrease of US\$20,344 and a decrease in Finance income of US\$46,298.
- 9.6 The Group has reassessed the classification of certain property bonds and bank guarantees. At 1 July 2019, this has resulted in the reduction of the current assets of US\$1,236,240, an increase in non-current assets of \$744,841 and a reduction in Loans and borrowings of US\$491,399. At 30 June 2020, this has resulted in the reduction of the current assets of US\$1,272,693, an increase in non-current assets of US\$714,376 and a reduction in Loans and borrowings of US\$558,317.