**25 August 2020**

ASX Announcements
4th Floor
20 Bridge Street
Sydney NSW 2000

**MEJORITY CAPITAL LIMITED (MJC): PRELIMINARY FINAL REPORT**

Mejority Capital reports the full year preliminary financial report of the consolidated entity (the "Group") consisting of Mejority Capital and its controlled entities for the year ending 30 June 2020.

The Company's underlying businesses largely performed better than the previous correspondeing period, with a 9.00% increase in top line revenue. During the period, management continued to improve and refine the group's overall cost structure resulting in a substantially improved result. The net loss attributable to members was down 56% to ($535,098) -v- ($1,208,901) - Loss in 2019.

During the final three months of the year as the Covid-19 pandemic restrictions took hold globally, the Company's profit result was adversely impacted by the negative performance of the Company's Asian focused investment portfolios. This marked to market revaluation contributed to over 50% of the loss recorded for the group.

Subsequent to 30 June 2020, the Company's listed investments have recovered and increased significantly. As at 11 August 2020, the Company's NTA was approximately 3.80 cents per share.

On the 17th August 2020, the Company entered into a share sale agreement to acquire 100% of the issued capital in Creative Capital Group Pty Ltd. The proposed acquisition will enable the Company to further diversify its financial services into complementary lending activities, while providing immediate stepped growth in the group's scale, revenue and profitbility. The acquisition is subject to shareholders' approval.

**END**

Neil Sheather
Executive Chairman

MEJORITY CAPITAL LIMITED

(ACN 106 760 418 – ASX:MJC)

UNAUDITED
PRELIMINARY FINAL REPORT
APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2020

## 1. REPORTING PERIOD

Unaudited report for the financial year ended 30 June 2020. The previous corresponding period is the financial year ended 30 June 2019.

## 2. RESULTS FOR ANNOUNCEMENT TO MARKET

| KEY INFORMATION | | 2020 | 2019 |
|---|---|---|---|
| | | $A | $A |
| | | | |
| Revenue from continuing operations | Up 9% | 2,204,182 | 2,030,987 |
| | | | |
| Loss after tax from continuing operations attributable to members | Down 50% | (602,711) | (1,208,901) |
| | | | |
| Profit after tax from discontinued operations attributable to members | - | - | - |
| | | | |
| Net Loss for the period attributable to members | Down 56% | (535,098) | (1,208,901) |
| | | | |

## 3. DIVIDENDS PAID AND PROPOSED

There are no dividends that have been declared or paid during the current or previous financial year.

## 4. NET TANGIBLE ASSETS PER SECURITY

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| | | |
| Net tangible assets backing per ordinary security | 2.15 | 2.73 |
| | | |

## 5. COMMENTARY ON THE RESULTS FOR THE YEAR

The Group has reported a net loss after tax of $0.6 million for the year ended 30 June 2020.

Revenues from continuing operations for the financial year of $2.2 million (2019: $2.0 million) have increased by 9% compared to prior year.

An adverse change in the fair value of the Company’s listed investments by $302,077 (2019:loss of $299,048) has contributed to a loss from continuing operations of $602,711 (2019: loss of $1,208,901) for the year ended 30 June 2020.

The net tangible asset (NTA) per ordinary security was 2.15 cents per security as at 30 June 2020. Subsequent to year-end, the Company’s listed investments have recovered and increased significantly. As at 11 August 2020, the Company’s NTA was approximately 3.80 cents per security.

## 6. COMPLIANCE STATEMENT

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 2001. No other standards were used.

- This report, and the accounts upon which the report is based, use the same accounting policies.

- This report gives a true and fair view of the matters disclosed.

- The financial statements for the year ended 30 June 2020 are in the process of being audited.

- Due to limitations of size, the entity does not have a formally constituted audit committee.

Signed on behalf of the Company,

Neil Sheather
Chairman

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2020**

| | NOTE | CONSOLIDATED 2020 $ | 2019 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| **Revenue** | | | |
| Rendering of services | | **1,765,184** | 1,938,350 |
| Gain on sale of investment | | **9,187** | 6,311 |
| Interest income | | **430** | 395 |
| Property rental income | | **18,000** | 12,924 |
| Other income | | **411,810** | 79,712 |
| | | **2,204,611** | 2,037,692 |
| **Expenses** | | | |
| Product commissions | | **(604,938)** | (613,610) |
| Audit fees | | **(59,500)** | (78,000) |
| Corporate and professional expenses | | **(1,002,922)** | (1,215,770) |
| Change in fair value of equity investments at fair value through profit or loss | | **(302,077)** | (299,048) |
| Impairment of receivables | | **-** | (139,414) |
| Depreciation expense | | **(34,474)** | (26,875) |
| Depreciation expense – lease | | **(87,244)** | - |
| Amortisation expense | | **(9,500)** | (9,500) |
| Employee expenses | | **(521,908)** | (160,390) |
| Restructuring expenses | | **-** | (378,049) |
| Occupancy expenses | | **(79,378)** | (211,055) |
| Interest & finance expenses | | **(93,520)** | (91,791) |
| Other expenses | | **(11,861)** | (23,091) |
| **LOSS BEFORE INCOME TAX** | | **(602,711)** | (1,208,901) |
| Income tax benefit/(expense) | | **-** | - |
| **(LOSS)/PROFIT AFTER TAX FOR THE YEAR** | | **(602,711)** | (1,208,901) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Transfer of foreign currency translation to gain on disposal of subsidiary in profit or loss | | **-** | - |
| **TOTAL OTHER COMPREHENSIVE (LOSS)/PROFIT** | | **(602,711)** | (1,208,901) |
| **TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR** | | **(602,711)** | (1,208,901) |
| **(LOSS)/PROFIT ATTRIBUTABLE TO:** | | | |
| OWNERS OF THE COMPANY | | **(535,099)** | (1,071,940) |
| NON-CONTROLLING INTEREST | | **(67,612)** | (136,961) |
| | | **(602,711)** | (1,208,901) |
| **(LOSS)/EARNINGS PER SHARE** | | | |
| Basic and diluted (cents) | | **(0.43)** | (0.99) |
| Basic and diluted (cents) – continuing operations | | **(0.43)** | (0.99) |

The above unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2020**

| | NOTE | CONSOLIDATED 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | **373,692** | 248,415 |
| Trade and other receivables | 7 | **105,797** | 150,462 |
| Other investments | 8 | **3,004,232** | 3,309,862 |
| Prepayments | | **59,411** | 54,400 |
| **TOTAL CURRENT ASSETS** | | **3,543,132** | 3,763,139 |
| **NON-CURRENT ASSETS** | | | |
| Intangibles | 10 | **76,000** | 85,500 |
| Goodwill | 10 | **241,429** | 241,429 |
| Property, plant and equipment | 12 | **1,156,327** | 1,117,087 |
| **TOTAL NON-CURRENT ASSETS** | | **1,473,756** | 1,444,016 |
| **TOTAL ASSETS** | | **5,016,888** | 5,207,155 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | **329,751** | 451,829 |
| Provision for Annual leave | | **41,740** | - |
| Contract liabilities | 9 | **72,182** | 40,790 |
| Loans and borrowings | 14 | **295,316** | 1,055,360 |
| **TOTAL CURRENT LIABILITIES** | | **738,989** | 1,547,979 |
| **NON-CURRENT LIABILITIES** | | | |
| Loans and borrowings | 14 | **947,026** | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **947,026** | - |
| **TOTAL LIABILITIES** | | **1,686,015** | 1,547,979 |
| **NET ASSETS** | | **3,330,873** | 3,659,176 |
| **EQUITY** | | | |
| Issued capital | 15 | **8,989,941** | 8,715,533 |
| Accumulated losses | 16 | **(5,416,875)** | (4,881,776) |
| **Total equity attributable to equity holders of the Company** | | **3,573,066** | 3,833,757 |
| Non-controlling interest | | **(242,193)** | (174,581) |
| **TOTAL EQUITY** | | **3,330,873** | 3,659,176 |

The above unaudited Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

| CONSOLIDATED | ISSUED CAPITAL $ | RESERVES $ | ACCUMULATED LOSSES $ | NON-CONTROLLING INTERESTS $ | TOTAL $ |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2018** | 8,715,533 | - | (3,809,836) | - | 4,905,697 |
| Profit attributable to members of the parent entity | - | - | (1,071,940) | (136,961) | (1,208,901) |
| Transfer of foreign currency translation reserve to gain on disposal of subsidiary in profit or loss | - | - | - | - | - |
| Total comprehensive income for the year, net of tax | - | - | (1,071,940) | (136,961) | (1,208,901) |
| *Transactions with owners of the Company recognised directly in equity* | | | | | |
| Shares issued | - | - | - | (37,620) | (37,620) |
| **BALANCE AS AT 30 JUNE 2019** | 8,715,533 | - | (4,881,776) | (174,581) | 3,659,176 |

| CONSOLIDATED | ISSUED CAPITAL $ | RESERVES $ | ACCUMULATED LOSSES $ | NON-CONTROLLING INTERESTS $ | TOTAL $ |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2019** | **8,715,533** | **-** | **(4,881,776)** | **(174,581)** | **3,659,176** |
| Loss attributable to members of the parent entity | **-** | **-** | **(535,099)** | **(67,612)** | **(602,711)** |
| Transfer of foreign currency translation reserve to gain on disposal of subsidiary in profit or loss | **-** | **-** | **-** | **-** | **-** |
| Total comprehensive loss for the year, net of tax | **-** | **-** | **(535,099)** | **(67,612)** | **(602,711)** |
| *Transactions with owners of the Company recognised directly in equity* | | | | | |
| Issue of shares | **274,408** | **-** | **-** | **-** | **274,408** |
| Changes in ownership interests in subsidiaries | | | | | |
| Acquisition of subsidiary with non-controlling interests | **-** | **-** | **-** | **-** | **-** |
| **BALANCE AS AT 30 JUNE 2020** | **8,989,941** | **-** | **(5,416,875)** | **(242,193)** | **3,330,873** |

The unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2020**

| | NOTE | CONSOLIDATED 2020 $ | 2019 $ |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **2,309,306** | 2,045,832 |
| Payments to suppliers and employees | | **(2,348,046)** | (2,354,908) |
| Interest income | | **430** | 395 |
| Interest and other finance costs | | **(78,667)** | (44,631) |
| Income tax paid | | **-** | - |
| Net movement in client monies | | **-** | (1,079) |
| Net cash (used)/provided in operating activities | | **(116,977)** | (354,391) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant & equipment | | **(12,430)** | (1,127,378) |
| Payments for listed equities | | **(637,752)** | (385,399) |
| Payments for other investments | | **-** | (230,000) |
| Payment for subsidiaries, net of cash acquired | | **-** | (90,000) |
| Loan repayment from third party | | **-** | 100,000 |
| Proceeds from sale of other investments | | **-** | 240,000 |
| Proceeds from sale of direct equity investments | | **532,598** | 191,989 |
| Disposal of subsidiary, net of cash disposed of | | **10,000** | - |
| Dividends | | **8,763** | 1,000 |
| Net cash (used)/provided by investing activities | | **(98,821)** | (1,299,788) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loan | | **200,000** | 1,100,000 |
| Repayment of loan | | **(133,333)** | (214,640) |
| Issue of shares | | **274,408** | - |
| Net cash (used)/provided in financing activities | | **341,075** | 885,360 |
| Net decrease in cash held | | **125,277** | (768,819) |
| Cash at beginning of year | | **248,415** | 1,017,234 |
| Net foreign exchange differences | | **-** | - |
| **Cash and cash equivalents at end of year** | | **373,692** | 248,415 |
| **Cash and cash equivalents held by continuing operations** | | **373,692** | 248,415 |

The above unaudited Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated general purpose financial statements for Mejority Capital Limited (the 'Company') and its subsidiaries (the 'Group') have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). These financial statements have been prepared on an accruals basis on historical cost convention, except for the following items in the Consolidated Statement of Financial Position:

- Financial Investments – Equity based financial assets measured at fair value through profit or loss are measured at fair value.

Mejority Capital Limited is a for-profit entity for the purpose of preparing the financial statements. Its principal activity is the provision of broking, investment management and corporate services within the financial services sector in Australia.

Mejority Capital Limited is the Group's Ultimate Parent Company, and is a Public Company incorporated and domiciled in Australia.

### FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a degree of judgement or complexity, or areas where assumptions and estimates have been made in the preparation of the financial statements are disclosed in Note 2.

### SUMMARY ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Going concern

The financial report has been prepared on a going concern basis which assumes the commercial realisation of the future potential of the Group's assets and discharge of its liabilities in the normal course of business. The Group recorded a net loss of $602,711 (2019: loss of $1,208,901) for the year ended 30 June 2020, net operating cash outflow of $116,977 (2019: $354,391) and has cash and cash equivalents balance of $373,692 (2019: $248,415).

Notwithstanding the accumulated losses and operating cash outflows, the Directors believe that it is appropriate to prepare the financial statements on the going concern basis for the following reasons:

(i) The projected business cash flows as at the date of this report suggests that the Group will generate sufficient revenues to meet its business and corporate running costs.

(ii) The Group has financial assets totalling $3,004,232 which can be converted to cash within 12 months.

(iii) The Group also has the capacity to raise additional funds at an appropriate time in the future.

***Implications of COIV-19 on our business***

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) **Going concern (Continued)**

***Implications of COVID-19 on our business (Continued)***

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the group might experience negative results, and liquidity restraints and incur additional impairments on its assets in 2020. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

(b) **Basis of Consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 30 June 2020. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(c) **Business combination**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

(d) **Operating Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker(s) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## (e) Revenue recognition

The Group recognises revenue based on the assessment and allocation of transaction prices to performance obligations and the satisfaction of those performance obligations.

Revenue is recognised for the major business activities as follows:

*(i) Rendering of services*
Revenue arising from brokerage, commissions, fee income and corporate finance transactions are recognised by the Group on an accruals basis as and when performance obligations have been satisfied, which is usually the trade date of the transaction. Provision is made for uncollectible debts arising from such services.

*(ii) Interest income*
Interest income is recognised on a time proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

*(iii) Dividend income*
Dividends are bought to account as revenue when the right to receive the payment is established.

(iv) *Education and administration income*
Revenue arising from education agreements and administration services are recognised by the Group on an accruals basis as and when services have been provided, which is deemed to be the trade date of the transaction. Provision is made for uncollectible debts arising from such services.

## (f) Income tax

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

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, the deferred income tax is 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 reporting date 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 for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax base of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Leases**

At inception of a contract, the Group considers the contract for existence of a lease arrangement, being a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the event that the contract is considered to constitute a lease agreement the following accounting is applied:

*Right of Use Assets*
At the lease commencement, the Group recognised a right-of-use asset and associated lease liability for the lease term, including any extension periods where the Group considers it is reasonably certain that the option will be exercised. The right-of-use asset is measured using the cost model where cost on initial recognition comprises the lease liability, initial directors, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

*Lease Liabilities*
The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g., CPI) or a change in the Group's assessment of the lease term. Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the measurement of is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(h) 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 reviewed 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 each reporting date.

**(i) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents include 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) **Property, plant and equipment**

Properties, office, IT and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Properties, office, IT other equipment are subsequently measured using the cost model, less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of properties, office, IT and other equipment. The following useful lives are applied:

- Properties: 25-50 years
- Office and IT equipment: 2-5 years
- Other equipment: 3-12 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

**(l) Financial instruments**

***Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***Classification of financial assets and financial liabilities***

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

Loans and receivables are now classified as amortised cost.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. Net gains (apart from dividends) and losses are recognised in OCI and are never reclassified to profit or loss.

**1.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) **Financial instruments (continued)**

***Financial assets (continued)***

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– prepayment and extension features; and
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Impairment***

***Financial instruments and contract assets***

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL: – debt securities that are determined to have low credit risk at the reporting date; and – other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) 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.

### (n) 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.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

### (o) Earnings per share

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (p) 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 balance sheet.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(q) **Intangible assets**

*Recognition of intangible assets*

Financial markets trading rights and licences are capitalised on the basis of the costs incurred to acquire. These licences have an indefinite life and as such and not amortised but are subject to annual impairment testing.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(r) **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(s) **Assets held for sale and discontinued operations**

*Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) New Accounting Standards for Application in Future Periods

**New accounting standards**

**Leases**

The Group has adopted AASB 16 *Leases*. In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard on 1 July 2019. Comparatives for the 2019 financial year have not been restated.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The lessees incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 10%.

| | $ |
|---|---|
| Operating lease commitments disclosed as at 30 June 2019 | **149,921** |
| Discounted using the company's incremental borrowing rate of 10% | **(1,392)** |
| **Lease liability recognised as at 1 July 2019** | **148,529** |

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

Property, plant and equipment increased by $170,600 on 1 July 2019, trade and other payables by $148,529.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

*Intangible assets*

The fair value of customer relationships acquired in a business combination is based on the multi-period excess earnings method whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

***i) Impairment***

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.

***ii) Unrecognised deferred tax asset***

Recognised and unreccognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

***iii) Classification of borrowings***

The Group has entered into borrowing agreements for the provision of funding facilities. The borrowing facilities are documented in borrowing facility agreements, the interpretation of which is key to the classification of borrowings as either current or non-current. The Group has exercised judgement in the interpretation of the terms and conditions of the borrowing facility agreements in determining the classification of debt as current or non-current.

### 3. RENDERING SERVICES INCOME

The group derives the following types of services income:

| | CONTINUING OPERATIONS | | TOTAL | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **$** | $ | **$** | $ |
| Trading commissions | **1,377,987** | 1,481,691 | **1,377,987** | 1,481,691 |
| Corporate transaction fees | **157,241** | 175,189 | **157,241** | 175,189 |
| Education and administration services | **229,956** | 281,470 | **229,956** | 281,470 |
| | **1,765,184** | 1,938,350 | **1,765,184** | 1,938,350 |

### 4. EXPENSES

Profit/(Loss) before income tax includes the following specific expenses:

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Depreciation | **34,474** | 26,875 |
| Depreciation – leases | **87,244** | - |
| Amortisation | **9,500** | 9,500 |
| Interest & finance expenses | **93,520** | 91,791 |
| Impairment of receivables - Deposit from Hong Kong lease | **-** | 139,135 |
| Restructuring costs | **-** | 378,049 |

## 5. INCOME TAX

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of the Group at 27.5% (2018: 27.5%) and the reported tax expense in profit or loss are as follows: | | |
| *(a) Tax expense comprises:* | | |
| Current tax | | |
| Deferred income tax relating to origination and reversal of temporary differences: | **-** | - |
| Origination and reversal of temporary differences | **-** | - |
| | **-** | - |
| Deferred tax expense relating to share issue costs | | |
| (b) *Accounting profit/(loss) before tax* | **(602,711)** | (1,208,901) |
| Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018 – 27.5%) | **(165,745)** | (332,448) |
| Expenditure not allowed for income tax purposes – other | **2,613** | 2,613 |
| Movement in unrecognized deferred tax balances due to change in tax rate | **-** | - |
| Deferred tax asset losses not brought to account | **163,133** | (96,092) |
| Under provision in respect of prior years | **-** | 425,927 |
| Gain not recognized for income tax purposes | **-** | - |
| Income tax (benefit)/expense | **-** | - |
| (c) *Recognised Deferred Tax Balances* | | |
| Deferred tax asset | **-** | - |
| Deferred tax liability | **-** | - |
| *(d) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:* | | |
| Unrecognised deferred tax asset - losses | **895,744** | 701,168 |
| Unrecognised deferred tax asset - other | **34,973** | 63,965 |
| | **930,717** | 765,133 |

**5. INCOME TAX (CONTINUED)**

*(e) Deferred Tax assets and liabilities*

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

| **2020** **Consolidated Group** | **Opening Balance $** | **Recognised in Profit or Loss $** | **Recognised in Other Comprehensive Income $** | **Closing Balance $** |
|---|---|---|---|---|
| **Deferred Tax liability** | | | | |
| Fair value gain investments | - | - | - | - |
| Unrecognised DTL's – not brought to account | - | - | - | - |
| | - | - | - | - |
| **Deferred Tax assets** | | | | |
| Trade & other receivables | 21,373 | (21,373) | - | - |
| Accruals | 39,641 | (9,040) | - | 30,601 |
| Capital raising costs | 2,952 | (1,577) | - | 1,375 |
| ROU assets and lease liability | - | 2,997 | - | 2,997 |
| Unrealised FX losses | - | - | - | - |
| Unused tax losses | 701,168 | 194,576 | - | 895,744 |
| DTA to offset DTL | - | - | - | - |
| Unrecognised DTA's – not brought to account | (765,134) | (165,583) | - | (930,717) |
| | - | - | - | - |

| **2019** **Consolidated Group** | **Opening Balance $** | **Recognised in Profit or Loss $** | **Recognised in Other Comprehensive Income $** | **Closing Balance $** |
|---|---|---|---|---|
| **Deferred Tax liability** | | | | |
| Fair value gain investments | (62,359) | 62,359 | - | - |
| Unrecognised DTL's – not brought to account | 62,359 | (62,359) | - | - |
| | - | - | - | - |
| **Deferred Tax assets** | | | | |
| Trade & other receivables | 21,373 | - | - | 21,373 |
| Accruals | 22,522 | 17,118 | - | 39,640 |
| Capital raising costs | 28,276 | (25,324) | - | 2,952 |
| Unrealised FX losses | 85,241 | (85,241) | - | - |
| Unused tax losses | 766,172 | (65,004) | - | 701,168 |
| DTA to offset DTL | (62,359) | 62,359 | - | - |
| Unrecognised DTA's – not brought to account | (861,225) | 96,092 | - | (765,133) |
| | - | - | - | - |

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilize these benefits.

## 6. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Cash at Bank (i) | **373,692** | 248,415 |
| Total cash and cash equivalents | **373,692** | 248,415 |

*(i) Reconciliation to cash and cash equivalents at the end of the financial year:*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows

| | | |
|---|---|---|
| Balances as above | **373,692** | 248,415 |
| Balances per statement of cash flows | **373,692** | 248,415 |

*(ii)* The prior year included an amount which is related to monies held on behalf of clients (2019: $1,077).

## 7. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Trade receivables (i) | **1,560** | 172,859 |
| Impairment of receivables | **-** | (77,720) |
| Contract assets (accrued income) | **49,977** | - |
| Office rental bonds | **9,760** | 24,136 |
| Prepayment and others | **44,500** | 31,187 |
| | **105,797** | 150,462 |

*(i) Classification as trade and other receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

*(ii) Fair values of trade and other receivables*

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

*(iii) Impairment and risk exposure*

All of the Group's receivables have been reviewed for indicators of impairment.

## 8. OTHER INVESTMENTS

Other investments are classified as financial assets at fair value through profit or loss as are all equity instruments held for trading. The investments comprised primarily of listed companies on the ASX and Malaysian Stock Exchange.

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| **Current** | | |
| *Financial assets at fair value through profit or loss (level 1)* | | |
| ASX Listed equity securities (i) (ii) | **181,384** | 542,208 |
| Derivatives (i) (ii) | **1,570,753** | 1,017,703 |
| Listed equity securities portfolio (i) (ii) | **1,252,095** | 1,749,951 |
| | **3,004,232** | 3,309,862 |
| *Financial assets held at cost* | | |
| Convertible notes in unlisted company (iii) | **-** | - |
| | **3,004,232** | 3,309,862 |

*(i) Classification of financial assets at fair value through profit or loss*

The Group classifies equity based financial assets at fair value through profit or loss if they are acquired principally for trading (i.e. selling in short-term). They are presented as current assets as they can be easily converted into cash in less than 12 months.

*(ii) Amounts recognised in profit or loss*

Changes in the fair values of financial assets at fair value has been recorded through the profit or loss, and represent a loss of $302,077 for the year (2019: $299,048).

*(iii) Converting notes*

The Group holds converting notes in an unlisted junior explorer company. These notes will convert to equity in the event of an IPO at the lower of either the IPO price or any previous capital raising price. Due to the fact that the issuing company is not listed, it is in the start-up stages of mining exploration and a reliable fair value estimate can not be made at 30 June 2020 the converting notes have been valued at $nil.

## 9. LEASES

### *(i) Amounts recognised in the balance sheet*

| | CONSOLIDATED | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| **Right-of-use assets*** | | |
| Lease – office rental | **61,284** | **-** |
| | **61,284** | **-** |

*included in the line item "Property, plant and equipment" in the statement of financial position.

| | | |
|---|---|---|
| **Lease liabilities** | | |
| Current | **72,182** | **-** |
| Non-current | - | **-** |
| | **72,182** | **-** |

***Amounts recognised in profit or loss***

| | | |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| *Lease – rental premises* | **87,244** | - |
| | **87,244** | - |
| Interest expense | **14,852** | - |
| **Total** | **14,852** | - |

The total cash outflow for leases for the period was $91,200.

### *(ii) The Group's leasing activities and how these are accounted for:*

The Group leases an office in Sydney.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and other small items.

## 10. INTANGIBLE ASSETS AND GOODWILL

### A. Reconciliation of carrying amount

| 2020 | Goodwill | Customer list | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at 1 July 2019 | **241,429** | **85,500** | **326,929** |
| Acquisition through business combinations | - | - | - |
| Amortisation | - | **(9,500)** | **(9,500)** |
| Impairment loss | - | - | - |
| Balance at 30 June 2020 | **241,429** | **76,000** | **317,429** |

| 2019 | Goodwill | Customer list | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at 1 July 2018 | - | - | - |
| Acquisition through business combinations | 241,429 | 95,000 | 336,429 |
| Amortisation | - | (9,500) | (9,500) |
| Impairment loss | - | - | - |
| Balance at 30 June 2019 | 241,429 | 85,500 | 326,929 |

### B. Amortisation

The amortisation of the customer list is over 10 years and is allocated to profit or loss.

**Useful life** Based on an assessment of the history of customer relationships.

Brokerage commissions and SMSF administration fees have historically been derived from recurring customers, which was noted is in a consistent customer base.

Management has determined an average customer life of 10 years as reasonable for the valuation of customer relationships.

### C. Impairment test

**Impairment testing for Cash Generating Unit (CGU) containing goodwill**

For the purposes of impairment testing, goodwill has been allocated to Smart Money Company (SMC).

The recoverable amount of this CGU was based on value in use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set below.

The values assigned to the key assumptions have been taken from an independent report.

- Discounted rate 18%
- Terminal value growth rate 2%

## 10. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### C. Impairment test (continued)

The discounted rate was a pre-tax measure estimated based on the weighted-average cost of capital. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on the expert valuation of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The key assumptions used in the cash flow forecast that are sensitive and are as follows:

| Valuation variable | Assumption |
|---|---|
| **Future revenue** | Actual revenue from the customer relationships for the 2020 financial year. |
| **EBIT Margin** | Normalised EBIT margin of 38% based on an assessment of the average normalised EBIT margin for FY20 and forecasted FY21.<br><br>Although the SMSF administration and brokerage revenues were accounted for in separate legal entities, the costs of the operations were not accounted for separately (e.g. all S&W incurred in SM Trading/Trysam). As such, we have assessed the future cash flows from these customer relationships at a combined Group level. |
| **Contributory assets** | The contributory assets and post-tax returns required to generate future income to be:<br>- Net working capital 4.5%; and<br>- Assembled workforce 11.8%. |
| **Discount Rate** | At acquisition date, a discount rate range of 8.0% to 12.0% as appropriate for the valuation of customer relationships. A discount rate of 10.0% has been assumed. |

**Sensitivity analysis**

The below table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

| | **Change required for carrying amount to equal the recoverable amount** | |
|---|---|---|
| | **2020** | **2019** |
| Pre-tax discount rate | **43.0%** | 10% |
| Budgeted EBIT margin | **13.5%** | (6.5%) |

## 11. ACQUISITION OF SUBSIDIARIES

### Smart Money Company Pty Ltd

In the prior financial year, the Group obtained control of Smart Money Company Pty Ltd, which was rebranded as Finexia SMSF Plus Pty Ltd (SMC), an education and retail brokering business by acquiring 60% of the shares and voting interests in the Company for cash consideration of $180,000.

Fair Value of identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | - | 31,628 |
| Intangible assets | - | 95,000 |
| Loans and borrowings | - | (170,000) |
| Trade and other payables | - | (55,677) |
| Total net identifiable assets | - | (99,049) |

The fair value of intangible assets of SMC's customer relationships have been determined as $95,000 following the engagement of an independent valuation.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Total consideration transferred | - | 180,000 |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of Smart Money Company Pty Ltd | - | (37,620) |
| Fair value of identifiable assets | - | 99,049 |
| Goodwill | - | 241,429 |

The goodwill is attributable mainly to the skills and technical talent of the SMC's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

## 11. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Pinnacle Adviser Services Pty Ltd

In the prior year, the Group obtained control of Roberts Bridges Pty Ltd and rebranded the acquired company to Pinnacle Adviser Services Pty Ltd (PAS), by acquiring 100% of the shares and voting interest in the Company for a cash consideration of $60,000.

PAS has an AFSL license which allows the Group to expand its network of financial advisors in Australia.

This transaction has been accounted for as an acquisition of assets rather than a business combination as Pinnacle Advisory Services Pty Ltd has no business operations or processes and its sole asset is its AFSL license.

PAS was sold on 11 June 2019 for $70,000 to a third party.

The following summarises the recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

| **2020** | **Pre-acquisition carrying amounts** | **Fair value adjustments** | **Recognised fair value on acquisition** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash | - | - | **-** |
| Intangible asset – AFSL licence | - | - | **-** |
| | - | - | **-** |

| **2019** | **Pre-acquisition carrying amounts** | **Fair value adjustments** | **Recognised fair value on acquisition** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash | 1 | - | **1** |
| Intangible asset – AFSL licence | - | 59,999 | **59,999** |
| | 1 | 59,999 | **60,000** |

The fair value of the intangible asset has been determined as being the excess consideration paid over the acquisition date fair value of the identifiable assets and liabilities of Pinnacle Advisory Services Pty Ltd.

## 12. PROPERTY, PLANT & EQUIPMENT

During the period the Group acquired a property at 19/33 Elkhorn Avenue, Surfers Paradise, Queensland for a purchase price, inclusive of acquisition costs for $1,127,160. The building will be depreciated over a period of 40 years and now serves as the corporate head office for the Group.

| | **CONSOLIDATED** | |
|---|---|---|
| | **2020** | 2019 |
| | $ | $ |
| **Land and building** | | |
| At cost | **1,139,590** | 1,127,160 |
| Less accumulated depreciation | **(45,883)** | (18,383) |
| | **1,093,707** | 1,108,777 |
| **Plant and equipment** | | |
| At cost | **13,646** | 36,268 |
| Less accumulated depreciation | **(12,310)** | (27,958) |
| | **1,336** | 8,310 |
| **Right of use asset** | **148,528** | - |
| At cost | **(87,244)** | - |
| Less accumulated depreciation | **61,284** | - |
| **Balance at 30 June 2020** | **1,156,327** | 1,117,087 |

## 12. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

The Group intends to sub-let a portion of the office space to earn rental income, however as this is not able to be sold or leased out separately as a finance lease it has not been classified as an investment property.

The property is also held as security against the loan and borrowings of $787,027.

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | $ | $ |
| **Balance at 1 July 2019** | **1,117,087** | 16,584 |
| Add additions | **12,430** | 1,127,160 |
| Add financial lease | **61,284** | - |
| Less depreciation expense | **(30,867)** | (26,657) |
| Less deconsolidation of de-registered entity | **(3,607)** | - |
| **Balance at 30 June 2020** | **1,156,327** | 1,117,087 |

## 13. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Trade payables (i) (ii) | **152,603** | 151,621 |
| Other payables and accruals | **177,148** | 300,208 |
| | **329,751** | 451,829 |

(i) Trade payables are unsecured and are usually paid within 30 days of recognition.

(ii) The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

## 14. LOANS AND BORROWINGS

| | CONSOLIDATED | |
|---|---|---|
| | **2020** | 2019 |
| | $ | $ |
| **Current liabilities** | | |
| Unsecured loans from third parties | **175,000** | 170,000 |
| Secured loans – equities | **120,316** | - |
| Secured loans | **-** | 885,360 |
| | **295,316** | 1,055,360 |
| **Non-current liabilities** | | |
| Unsecured loans from third parties | **160,000** | - |
| Secured loans – property | **787,026** | - |
| | **947,026** | - |

### 14. LOANS AND BORROWINGS (CONTINUED)

As part of the Smart Money Company acquisition, unsecured loans of $135,000 have been consolidated in the accounts of the Group. The unsecured loan bears an interest of 10%. A new term is currently under negotiation with the lenders.

On 12 November 2018, the purchase of the commercial property was financed with an initial secured loan of $1,000,000. The loan incurred an interest rate at 10% per annum and was for a 6-month term, expiring in April 2019.

On 1 July 2019, the Company extended the loan over a two-year term and reduced the loan liability to $787,026. The interest rate is 10% and is for a two-year term, expiring on 1 July 2021. The lender has a first registered mortgage over the commercial property at 33 Elkhorn Avenue, Surfers Paradise, QLD 4217.

On 24 February 2020, the Company acquired 30,000 shares in a Company listed on the ASX via a margin account. The loan is secured by the shares and has an interest rate of 4%. The interest is calculated and billed at each month end.

On the 18 June 2020, the Company obtained loans from National Australia Bank for $200,000. The loans are unsecured for a term for three years at 4.50%. The first monthly repayment is on 31 January 2021.

### 15. ISSUED CAPITAL

| | **CONSOLIDATED** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **No. of shares.** | **$** | No. of shares. | $ |
| **(a) Ordinary shares fully paid** | **140,253,184** | **8,989,941** | 121,959,291 | 8,715,533 |

**(b) Movement in ordinary shares on issue**

| | **No. of shares.** | **$** | No. of shares. | $ |
|---|---|---|---|---|
| Opening balance | **121,959,291** | **8,715,533** | 121,959,291 | 8,715,533 |
| Add: Issue of shares – 08 November 2019 | **18,293,893** | **274,408** | - | - |
| Share issue costs | **-** | **-** | - | - |
| | **140,253,184** | **8,989,941** | 121,959,291 | 8,715,533 |

**(c) Fully Paid Ordinary Shares**

Fully Paid Ordinary Shares - participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At a shareholder meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(d) Shares under Option**

There are no shares under option.

## 16. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2020, the Company's listed investments recovered and increased significantly and as at 11th August 2020, the Company's NTA was approximately 3.80 cents per security.

On the 17th August 2020, the Company entered into a share sale agreement to acquire 100% of the issued capital in Creative Capital Group Pty Ltd. The proposed acquisition will enable the Company to provide financial services that are complementary to its existing activities, enabling the Company to expand its business within the financial sector. The acquisition is subject to shareholders' approval.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Other than the above, there are no other matter or circumstance that has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.