

APPENDIX 4E

PRELIMINARY FINAL REPORT 12 MONTHS ENDED 30 JUNE 2020

Details of the reporting period and the previous corresponding period

Name of entity

SPRINTEX LIMITED

ACN	Reporting Period	Previous Corresponding Period
106 337 599	Year ended 30 June 2020	Year ended 30 June 2019

Results for announcement to the market

	Change	Amount
Revenue from ordinary activities	Down 38.9% to	\$1,130,974
Loss from ordinary activities after tax attributed to members	Down 19.2% to	\$2,372,583
Basic loss per share cents per share	Down 19.2% to	2.37 cents

Dividends	Amount per Security	Franked amount per Security
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil

Record Dates of determining dividend – N/A

Commentary on results and other significant information

Please refer to the attached 2020 financial report for further information on the Group's financial position and performance for the year ended 30 June 2020.

Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

	2020 (cents)	2019 (cents)
Net Tangible Asset Backing		
Net Tangible (Liabilities) / Assets per ordinary share	(0.066)	(0.045)

Details of controlled entities acquired or disposed of

n/a

Details of associates and joint ventures

The Company has a manufacturing facility in Malaysia with a joint venture partner (see note 7).

Audit

This report is based on the financial statements which are in the process of being audited.

Robert Molkenthin
Company Secretary



Operating and financial review

Group overview

The Company was established in 2003 and listed on the ASX in 2008.

The Group's focus is the development and commercialisation of the Sprintex® twin screw supercharger and supercharger systems incorporating the Sprintex® twin screw supercharger.

The Group's HQ facility in Perth, Western Australia is our dedicated research and development base, and is where our creative Design, Engineering and Calibration team work together to provide technical and innovative solutions to support both aftermarket and OEM requirements with the use of the Sprintex® twin screw supercharger. With capability for low volume production, manufacturing and testing at the facility, the team is well equipped to provide engineering concept ideas and solutions at low cost.

The Sprintex production facility in Malaysia in the 'Glenmarie' area of Shah Alam, Selangor was commissioned in January 2013 encompassing 1,800 sqm. This is jointly-owned with AutoV Corporation, parent company of Proreka (M) Sdn. Bhd, a Tier-1 automotive component manufacturer and supplier. Certified to ISO9008 and able to provide high volume quality parts and systems, supported by a highly trained production and engineering team, the Malaysian facility and its team have continued to grow and expand their knowledge and performance to provide a solid production platform for the Group. The Group also has a distribution and final assembly facility in Detroit, Michigan USA, where it can launch its products to the USA and Canadian markets. The shared facility of over 36,000 sqm also provides customer support and sales and marketing for the region.

After market supercharger systems

The focus of the Group's activities during the year has been:

1. Further development and refinement of the supercharger system on additional models within the Chrysler/Jeep Pentastar range of vehicles, including the new JL, tuning solutions for the current ranges of vehicles, as well as looking at potential for other OEM platforms, including Ford and GM.
2. After achieving CARB (California Air Resources Board) approval in June 2016 for the Sprintex Supercharger systems for the 3.6L V6 Pentastar engine for JK, Jeep, Challenger, Charger, Dodge RAM as well as on the 4.0L TJ and 3.8L JK Wrangler, the Group was successful in obtaining CARB certification on the Toyota 86/Subaru BRZ range. All main product lines for the Company have now achieved CARB certification and meet or exceed emission requirements in 50 states in the USA.
3. Continued development of the supercharger and system to provide a Stage 2 option on the V6 Pentastar and Toyota 86/Subaru BRZ.
4. Ongoing expansion and development of the North American market for the Company's products.
5. Expansion and development in the Asia and Middle East markets for the Company's products.
6. Research and development of an OEM twin boosted system.
7. Research and development of an OEM high torque at low RPM system for diesel platforms.

Business strategies

The Group is focused on developing new superchargers and supercharger systems from its dedicated R&D facility in Perth with manufacturing of products being primarily from the Group's production facility in Malaysia. The expanded range of products is intended to immediately service the needs of the aftermarket sector, where the key drivers are improved performance, while also enabling the Group to showcase its products to Original Equipment Manufacturers with whom the Group is continuing to build business relationships, with a view to securing future sales orders.

Operating results for the year

The Company has continued focusing on the development of aftermarket supercharger systems after establishing a production facility in Malaysia in 2013. The financial results reflect this focus, including write-offs of fixed assets and inventory in Perth

following the Perth facility being downsized to a dedicated research and development facility, The Company has also been required to continue providing cash support for the operations of the JV in Malaysia:

	2020 \$	2019 \$	Change %
Revenue	1,130,974	1,851,939	(38.9)%
Net loss for the year	(2,372,583)	(2,938,035)	19.2%

*Loss per Share**

Basic loss and diluted loss per share for 2020, 2.4 cents (2019 – 2.9 cents). See Note 4.

Review of financial condition

Liquidity and capital resources

The Group continued to incur operating losses as a result of the focus on development activities and setting up of its Malaysian facility. During the year, these activities were financed by raising capital, sales of products and receipt of Research and Development Incentive grant.

At year end, cash and cash equivalents were \$146,260 compared to \$600,551 at 30 June 2019.

Asset and capital structure

	2020 \$	2019 \$
Total borrowings	6,246,194	5,184,601
Cash and cash equivalents	(146,260)	(600,551)
Net debt	6,099,934	4,584,050
Total equity	(6,646,617)	(4,507,852)
Total capital	(546,683)	76,198
Gearing ratio – net debt over total capital	(1,115.8)%	6,016.0%

Gearing ratio, defined as net debt over total capital, as at 30 June 2020 was negative 1,115.8% (2019: 6,016%). The Group's policy for the year ended 30 June 2020 allows up to 60% of financing to be provided by net debt at any particular time. The Group is currently operating outside its stated policy and steps are underway to bring this down in accordance with the Group's policy. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on an annual basis.

Capital raising issues during the year

On 26 February 2020, the Company signed a Binding Term Sheet with Indian Ocean Corporate Pty Ltd for the recapitalisation and issue of new shares to raise between \$3.6 million to \$4.6 million through the issue of between 41.86 million and 53.49 million New Shares at an issue price of 8.6 cents per share. This was subsequently amended to raise a minimum of \$5,000,000 and a maximum of \$6,000,000 through the issue of between 58.14 million New Shares and 69.78 million New Shares at an issue price of 8.6 cents per share.

On 27 May 2020, the Company entered into an interim funding loan agreement of \$250,000 from LIDX Technology Ltd, a company registered in Hong Kong. These funds were an advance on the funds to be received upon completion of the recapitalisation plan noted above and are secured over the assets of the Company.

The Company received the 2019 R&D Tax Incentive of \$696,686 on 25 March 2020.

Capital expenditure

Property, plant and equipment of \$24,778 (2019: \$11,544) were acquired during the year ended 30 June. These acquisitions related to plant and equipment, including tooling, needed to produce the Company’s products. The Company did not have any outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements.

Profile of borrowings

The profile of the Group’s debt finance is as follows:

	2020	2019
	\$	\$
Current		
Insurance premium funding	56,109	-
Finance lease liabilities	13,411	30,621
Loan from Lidx Technology Ltd	250,000	-
Loan from Ganado Investments Corporation Ltd	1,606,601	1,580,746
Loan from China Automotive Holdings Limited	2,822,406	2,776,944
Loan from Wilson’s Pipe Fabrications Pty Ltd	1,472,624	735,055
	6,221,151	5,123,366
Non-current		
Finance lease liabilities	25,043	61,235
	6,246,194	5,184,601

Likely Developments and Expected Results

The Company is actively working to enhance its existing products and develop new products to assist in strengthening its revenue base in 2021. The marketing campaigns in Australia, the Middle East, Asia and North America are continuing and are showing positive results.

Events after Reporting Date

On 18 August 2020, the Company received a letter from the ASX detailing the conditions to be satisfied for reinstatement of the Company’s securities to trading on the official list of the ASX (“**Reinstatement Letter**”).

As set out in the Notice of Meeting despatched on 28 August 2020 (“**Notice**”), the Company has until **29 September 2020** to satisfy the conditions set out in the Reinstatement Letter. **Where the conditions are not satisfied by 29 September 2020, the Company will be removed from the official list of the ASX.** This is by virtue of the Company being a long term suspended entity.

Binding Agreements for Recapitalisation

As previously announced to shareholders, the Company is undertaking a recapitalisation (**Recapitalisation**) which is conditional upon the following:

- ASX confirming the conditions to be satisfied in order for the Company’s securities to be reinstated to trading on the official list of the ASX and the Company determining that it is able to satisfy such conditions;
- the Company obtaining shareholder and other approvals required in order to give effect to the Recapitalisation under ASX Listing Rules 7.1 and 10.11; and
- all current directors of the Company agreeing to resign from the Board upon completion of the Recapitalisation, the issue of new shares under the Recapitalisation and relisting of the Company’s securities on the official list of the ASX.

As set out in the Notice, since entering into the terms sheet in respect of the Recapitalisation, the Company has entered into the following definitive agreements:



- **Lidx Loan:** The Company has entered into a loan agreement with Lidx Technology Limited, (**Lidx**) under which Lidx has agreed to provide an interest free loan of \$550,000 to the Company for general working capital purposes (**Loan**). Subject to shareholder approval, the Loan is to be repaid via an issue of Shares at a deemed issue price of \$0.086 per Share on the reinstatement of the Company's securities to trading on the official list. Where shareholder approval is not obtained, or reinstatement does not occur on or before 31 October 2020, the Loan will be repaid in cash on 1 April 2021. In addition, the Company has agreed, subject to Shareholder approval, to issue Lidx 639,535 Shares in consideration for providing the Loan at a deemed issue price of \$0.086 per Share. Where shareholder approval is not obtained, or reinstatement does not occur on or before 31 October 2020, the consideration for providing the Loan (being, \$55,000) will be satisfied in cash on 1 April 2021. Accordingly, the total number of Shares to be issued to Lidx, assuming shareholder approval is obtained, is 7,034,883 Shares. The Loan is secured by a general security charge over the assets of the Company.

The Company notes that following entry into the Loan in May 2020 (at which time Lidx was an unrelated party of the Company), Lidx has subsequently become a related party of the Company by virtue of the Company proposing to appoint Mr Li Chen (who controls Lidx) as a director of the Company upon completion of the Recapitalisation;

- **Conversion of GICL Loan:** The Company has entered into a debt conversion agreement with Ganado Investments Corporation Ltd (**GICL**), an unrelated party of the Company, under which the total amount of US\$1,110,000 (being, AU\$1,606,600¹) owing to GICL is to be converted into Shares at a deemed issue price of \$0.086 per Share, subject to the Company obtaining shareholder approval and completion of the Placement (defined below). Accordingly, the total number of Shares to be issued to GICL, subject to shareholder approval, is 18,681,395 Shares;
- **Forgiveness of CAHL Loan:** The Company has entered into a deed of debt forgiveness with China Automotive Holdings Limited (a related party by virtue of being an entity controlled by Director, Mr Richard Siemens) (**CAHL**) under which the total amount owing to CAHL of US\$1,950,000 will be forgiven as part of the Recapitalisation;
- **Conversion of WPF Loan:** The Company has entered into an agreement with Wilson's Pipe Fabrications Pty Ltd (a related party by virtue of being an entity controlled by Director, Mr Michael Wilson) (**WPF**) under which the Company has agreed, subject to shareholder approval and completion of the Placement (defined below), to convert approximately \$1,472,624 of the total amount owing to WPF to Shares at a deemed price of \$0.086 per Share, resulting in the issue of 10,146,790 Shares, and the balance of the amount owing to WPF of \$600,000, will be repaid by the Company in cash from proceeds of the Placement.
- **AutoV Acquisition Agreement:** The Company has also entered into and is in the process of completing the acquisition of the remaining interest in the Malaysian joint venture, Proreka Sprintex Sdn. Bhd. (**Sprintex Malaysia**) that it does not already own, being a 50% interest held by AutoV Corporation Sdn. Bhd. (**AutoV**) (**Acquisition**) pursuant to a share sale agreement between the parties (**Acquisition Agreement**). The Company has agreed, subject to Shareholder approval, to issue to AutoV US\$250,000 (approximately \$348,275²) worth of Shares at a deemed issue price of \$0.086 per Share in consideration for, and at completion of, the Acquisition. Completion of the Acquisition is conditional upon:
 - AutoV and Sprintex Malaysia obtaining all required shareholder and regulatory approvals necessary to completion the Acquisition;
 - the Company obtaining all required shareholder approvals necessary to complete the Acquisition (which shareholder approvals are detailed in Resolution 1 of the Notice);
 - the Company undertaking the Placement (defined below) and receiving valid subscription amounts under the Placement for the minimum amount required to satisfy the ASX reinstatement conditions (as determined by the Company in its sole discretion); and
 - the Company receiving the conditional approval from ASX for the securities of the Company to be reinstated to trading on the official list of the ASX.

Placement

Following receipt of the Reinstatement Letter, the Company has determined that the amount to be raised under the capital raising to be undertaken as part of the Recapitalisation is a minimum of \$5,000,000 and a maximum of \$6,000,000 at an issue price of \$0.086 per Share (**Placement**). The Company is seeking shareholder approval to issue a maximum of 69,767,442 Shares under the Placement at an issue price of \$0.086 per Share pursuant to Resolution 5 of the Notice. Further details regarding the Placement are set out in the Notice of General Meeting (refer to Sections 1 and 6 of the Notice).

¹ Being, the amount agreed between the parties pursuant to the debt conversion agreement.

² Using a foreign exchange rate of 1.3931 as at 24 August 2020.

Lead Manager to Placement

As part of the Recapitalisation, the Company has appointed Indian Ocean Corporate Pty Ltd (**IOC**) (an unrelated party of the Company) as lead manager to the Placement. IOC will receive a fee of 6% of the total amount raised under the Placement (being, up to \$360,000) in cash at completion of the Recapitalisation.

Proposed Board Changes

Pursuant to the terms of the Recapitalisation, it is proposed that all current Directors will resign and that Mr Wayne Knight be nominated as the Chairman of the Board, Mr Jude (Jay) Upton as the Managing Director and Messrs Li Chen and Steve Apedaile as Non-Executive Directors of the Company upon completion of the Recapitalisation (together, the “**Proposed Directors**”).

As part of Mr Wayne Knight’s appointment as Chairman of the Company on completion of the Recapitalisation, it is proposed that Mr Knight will receive 5,000,000 options in the capital of the Company (“**Options**”) subject to shareholder approval. The Options are exercisable at \$0.086 each on or before the date that is three years from the date of issue of the Options. The Company is seeking shareholder approval for issue of the Options under Resolution 11 of the Notice. Please refer to section 9 and Schedule 3 of the Notice for further detail regarding the appointment of Mr Wayne Knight and the issue of Options.

Further detail regarding the Proposed Directors, their experience, qualifications and current directorships, is included in section 7 of the Notice.

Withdrawal of Consolidation

Sprintex confirms that the proposed 5 to 1 equity consolidation previously announced by the Company on ASX on 29 April 2019 has been withdrawn and is not being undertaken as part of the Recapitalisation.

Indicative Capital Structure following completion of the Recapitalisation

Upon completion of the Recapitalisation, the Company’s capital structure will be as follows:

	Number of Shares (Minimum Subscription)	Number of Shares (Maximum Subscription)
Shares currently on issue	100,000,000	100,000,000
Issue of Shares pursuant to the Acquisition (Resolution 1) ¹	4,049,709	4,049,709
Issue of Shares to Loan Providers (Resolutions 2 and 3)	25,716,279	25,716,279
Issue of Shares to Related Party Loan Provider (Resolution 4)	10,146,790	10,146,790
Issue of Shares under Placement (Resolution 5)	58,139,535	69,767,442
Shares on issue on completion of the Recapitalisation	198,052,313	209,680,220

Notes:

1. Assuming 4,049,709 Shares are issued based on a foreign exchange rate of 1.3931 as at 24 August 2020 (refer to section 2.4 of the Notice for further detail regarding the maximum number of Shares which may be issued based on various foreign exchange rates and the dilutive effect on Shareholders).

The Company reminds shareholders that the reinstatement of the Company’s securities to trading on the official list is at the discretion of the ASX. Accordingly, there is no guarantee that the securities of the Company will be reinstated, and if so when.

Other

SIX has until **29 September 2020** to comply with the conditions precedent set out above and have its securities reinstated to official quotation.



Upon satisfaction of the above conditions precedent, ASX would intend to reinstate SIX's securities to official quotation. Please note that ASX has discretion not to reinstate SIX should it fail to comply with the Listing Rules, the spirit of the Listing Rules or be unable to disclose information to the market as requested by ASX or required by Listing Rule 3.1.

ASX makes no comment on the application of escrow with respect to any securities to be issued pursuant to the Recapitalisation Proposal.

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

	NOTES	2020 \$	2019 \$
Sales of goods and services		1,130,974	1,851,939
Revenue		1,130,974	1,851,939
Cost of goods sold		(985,355)	(1,231,246)
Gross profit		145,619	620,693
Other income	3.1	77,197	8,939
Research and development incentive grant		696,686	1,057,896
Distribution and marketing expenses		(156,733)	(327,349)
Research and development expenses		(541,394)	(844,473)
Joint venture impairment expense		(547,904)	(720,347)
Impairment of assets		-	(140,185)
Administration expenses		(1,934,878)	(2,151,303)
Other expenses	3.2	(96,384)	(322,908)
Operating loss		(2,357,791)	(2,819,037)
Finance income	3.3	-	956
Finance costs	3.4	(14,792)	(119,954)
Loss before income tax expense		(2,372,583)	(2,938,035)
Income tax benefit		-	-
Net loss for the year		(2,372,583)	(2,938,035)
Other comprehensive income, net of tax			
- Translation of foreign corporation		233,818	126,305
Total other comprehensive income, net of tax		(2,138,765)	126,305
Total comprehensive income for the year		(2,138,765)	2,811,730
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share	4	\$0.024	\$0.029
Diluted loss per share	4	\$0.024	\$0.029



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	NOTES	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10(b)	146,260	600,551
Pledged bank deposits	5	30,000	30,000
Trade and other receivables	6	180,259	199,937
Inventories		282,730	349,812
TOTAL CURRENT ASSETS		639,249	1,180,300
NON-CURRENT ASSETS			
Property, plant and equipment		206,746	261,585
TOTAL NON-CURRENT ASSETS		206,746	261,585
TOTAL ASSETS		845,995	1,441,885
CURRENT LIABILITIES			
Trade and other payables		1,116,152	552,871
Borrowings	8	6,221,151	5,123,366
Provisions		130,266	212,265
TOTAL CURRENT LIABILITIES		7,467,569	5,888,502
NON-CURRENT LIABILITIES			
Borrowings	8	25,043	61,235
TOTAL NON-CURRENT LIABILITIES		25,043	61,235
TOTAL LIABILITIES		7,492,612	5,949,737
NET ASSETS / (LIABILITIES)		(6,646,617)	(4,507,852)
EQUITY			
Contributed equity	9	56,477,246	56,477,246
Reserves		318,522	84,705
Accumulated losses		(63,442,385)	(61,069,803)
TOTAL EQUITY		(6,646,617)	(4,507,852)

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

CONSOLIDATED ENTITY	Reserves				Total
	Contributed equity	Share option reserve	Foreign translation reserve	Accumulated losses	
	Note 9				
	\$	\$	\$	\$	\$
Balance at 30 June 2018	56,477,246	-	(41,600)	(58,131,769)	(1,696,123)
Loss for the year	-	-	-	(2,938,034)	(2,938,034)
Movement in the foreign translation reserve	-	-	126,305	-	126,305
Total Comprehensive income for the year	-	-	126,305	(2,938,034)	(2,811,729)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Expiry of options	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Balance at 30 June 2019	56,477,246	-	84,705	(61,069,803)	(4,507,852)
Loss for the year	-	-	-	(2,372,582)	(2,372,582)
Movement in the foreign translation reserve	-	-	233,817	-	233,817
Total Comprehensive income for the year	-	-	233,817	(2,372,582)	(2,138,765)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Balance at 30 June 2020	56,477,246	-	318,522	(63,442,385)	(6,646,617)

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,095,550	2,038,026
Payments to suppliers and employees		(2,561,584)	(4,346,151)
Interest and finance lease charges paid		(34,470)	(118,231)
Interest received		1,260	956
Research and Development incentive grant received		603,409	1,057,896
Net cash flows used in operating activities	10(a)	<u>(895,835)</u>	<u>(1,367,504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Contribution to joint venture entity		(491,547)	(788,637)
Proceeds from sale of property, plant and equipment		3,956	264,831
Payments for property, plant and equipment		(54,416)	(11,931)
Net cash flows (used in) generated from investing activities		<u>(542,007)</u>	<u>(535,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,063,300	3,661,535
Repayment of borrowings		(92,000)	(1,244,763)
Net cash flows generated from financing activities		<u>971,300</u>	<u>2,416,771</u>
Net (decrease) / increase in cash and cash equivalents held		(466,542)	513,529
Cash and cash equivalents at the beginning of the financial year		600,551	87,022
Effects of exchange rate changes on cash and cash equivalents		12,251	-
Cash and cash equivalents at the end of the financial year	10(b)	<u>146,260</u>	<u>600,551</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

1. Basis of preparation

This preliminary final report has been prepared in compliance with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This financial report does not include notes of the type normally included in annual financial statements.

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2020 and considered together with the continuous disclosure obligations of the ASX listing rules.

The financial report has been prepared on the historical cost basis except for land and buildings which have been measured at fair value.

The accounting policies used in this report are the same as those used in the last audited annual report.

(a) Going concern

The Company has net liabilities of \$6,646,617 (2019: net liabilities of \$4,507,852) and net current liabilities of \$6,828,320 (2019: \$4,708,202) as at 30 June 2020 and incurred a loss of \$2,372,583 (2019: \$2,938,035) and net operating cash outflow of \$895,835 (2019: \$1,367,504) for the year ended 30 June 2020.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- delivery of existing and new products through the Company's distribution network to generate sales revenues and positive cash flows;
- the ability of the Company to raise additional financing; and
- the success of the manufacturing facility in Malaysia.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Segment information

The Company identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. Operating segments are identified by management based on the similarity of the products produced and sold.

The Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
3. Revenue and expenses		
3.1 Other income		
Government grants	74,000	-
Sundry Income	3,197	8,939
	<u>77,197</u>	<u>8,939</u>
3.2 Other expenses		
Net foreign exchange loss	(97,364)	(148,310)
Gain/(Loss) on disposal of assets	980	(174,598)
Total other expenses	<u>(96,384)</u>	<u>(322,908)</u>
3.3 Finance income		
Interest income	-	956
	<u>-</u>	<u>956</u>
3.4 Finance costs		
Interest and finance charges	(14,792)	(119,954)
Total finance costs	<u>(14,792)</u>	<u>(119,954)</u>
3.5 Employee payments including benefits expense		
Salaries and wages	1,382,993	1,652,281
Superannuation expense	49,152	51,227
Other employment expense	110,557	115,558
	<u>1,542,702</u>	<u>1,819,066</u>
3.6 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	49,153	144,346
Amortisation of leasehold improvements	-	2,895
Total depreciation and amortisation	<u>49,153</u>	<u>147,241</u>

4. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders of the Company for the year of \$2,372,583 (2019: \$2,938,035) and the weighted average of 100,000,000 (2019: 100,000,000) ordinary shares in issue during the year.

The diluted loss per share amount for the year was the same as the basic loss per share, as the Company does not have any share options outstanding at 30 June 2020.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
5. Pledged bank deposits		
Deposit – at call	30,000	30,000
	30,000	30,000

Pledged bank deposits at 30 June 2020 represented fixed deposits as follows:

- a term deposit maturing on 30 April 2021 bearing interest at 1.00% per annum of \$30,000 supporting credit card facilities;

	2020 \$	2019 \$
6. Trade and other receivables		
Trade receivables	34,318	31,933
Other receivables	-	-
Trade deposits	30,717	127,070
Prepayments	115,225	40,934
	180,259	199,937

Trade receivables are non-interest bearing and are generally on 0-90 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Trade deposits represent payments to suppliers with no history of unsatisfactory product quality or delivery default and are considered fully recoverable.

7. Investment in a joint venture

Proreka Sprintex Sdn. Bhd. is a Malaysian company which is 50% owned by the Company and owns and operates a facility in Malaysia which has been licenced by the Company to assemble and manufacture Sprintex products.

In view of the losses being incurred by the joint venture, the carrying value of the balances with the joint venture were assessed for impairment and fully impaired.

	2020 \$	2019 \$
8. Borrowings		
Current		
Insurance premium funding (unsecured)	56,109	-
Finance lease liabilities	13,411	30,621
Short term loans	5,901,631	5,092,745
Secured loan	250,000	-
	6,221,151	5,123,366
Non-current		
Finance lease liabilities	25,043	61,235



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
9. Contributed equity		
Paid up capital – ordinary shares	57,918,212	57,918,212
Capital raising costs capitalised	(1,440,966)	(1,440,966)
	<u>56,477,246</u>	<u>56,477,246</u>

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid shares have no par value.

Voting at meetings is now conducted via a poll. Every member attending a meeting in person or by proxy shall have one vote.

	Issue Price (\$)	Number of shares	\$
Movements in Ordinary Share Capital			
Balance at 1 July 2019		100,000,000	56,477,246
Adjustment to capital raising costs		-	-
Balance as at 30 June 2020		<u>100,000,000</u>	<u>56,477,246</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
10. Cash flow statement reconciliation		
(a) Reconciliation of cash flows from operating activities to operating loss after income tax		
Operating loss after income tax	(2,372,583)	(2,938,035)
Add non-cash items:		
Depreciation and amortisation	49,153	147,241
Impairment adjustments	547,904	720,347
Impairment of asset	-	140,185
Foreign exchange movement	97,364	148,310
Loss on disposal of assets	1,738	147,781
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	19,678	175,046
Decrease / (increase) in inventories	67,082	478,813
Increase / (decrease) in trade and other payables	775,829	(457,417)
Increase / (decrease) in provisions	(82,000)	70,225
Net cash flows used in operating activities	<u>(895,835)</u>	<u>(1,367,504)</u>
	2020	2019
	\$	\$
(b) Reconciliation of cash and cash equivalents to consolidated statement of cash flow		
For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	<u>146,260</u>	<u>600,551</u>
	<u>146,260</u>	<u>600,551</u>