



QuickFee.

QuickFee Limited
ABN 93 624 448 693

Appendix 4E

Preliminary financial report

30 June 2019

QuickFee Limited

Appendix 4E

Year ended 30 June 2019

Name of entity:	QuickFee Limited
ABN:	93 624 448 693
Year ended:	30 June 2019
Previous period:	30 June 2018

Results for announcement to the market (unaudited)

					\$
Revenue from ordinary activities ¹	Up	288.6%	to	5,803,170	
Loss from ordinary activities after tax attributable to members ¹	Up	314.0%	to	(1,154,932)	
Net loss for the period attributable to members ¹	Up	314.0%	to	(1,154,932)	

Notes

¹ This Appendix 4E covers the period from 1 July 2018 to 30 June 2019. The comparative period is from 15 February 2018 to 30 June 2018 and is therefore not directly comparable with current period results.

Distributions

No dividends have been paid or declared by QuickFee Limited for the current financial period. No dividends of QuickFee Limited were paid for the previous financial period.

As disclosed in note 8(b) of the preliminary financial report, dividends of \$680,000 were paid in the period ended 30 June 2019 (2018: \$100,000) to the shareholders of QuickFee Australia Pty Ltd. These dividends were paid prior to the 9 July 2019 legal acquisition of QuickFee Australia Pty Ltd by QuickFee Limited on initial public offering (IPO) as disclosed in note 9 of the preliminary financial report. Accordingly, these dividends do not represent dividends of QuickFee Limited and should not be interpreted as such.

Explanation of results

The group has reported a loss for the period of \$1,154,932 (2018: \$278,973), with net assets amounting to \$474,273 as at 30 June 2019 (2018: \$2,304,896), including cash reserves of \$2,781,387 (2018: \$4,155,653).

Please refer to the letter from the CEO on pages 2 to 3 for further explanation of the results.

Additional information supporting the Appendix 4E disclosure requirements can be found in the letter from the CEO and the preliminary financial statements for the year ended 30 June 2019.

Net tangible assets per security

	2019 Cents	2018 Cents
Net tangible asset backing (per security)	17.38	85.37
Pro forma net tangible asset backing (per security, based on ordinary shares post-IPO)	0.34	1.64

The number of securities used in calculating net tangible asset backing is 2,729,167 as disclosed in note 5(a) of the preliminary financial report. The number of securities used in calculating pro forma net tangible asset backing based on ordinary shares post-IPO is 140,550,001 as disclosed in note 5(a) of the preliminary financial report.

Changes in controlled entities

There have been no changes in controlled entities during the year ended 30 June 2019.

Other information required by Listing Rule 4.3A

a. Details of individual and total dividends or distributions and dividend or distribution payments:	N/A
b. Details of any dividend or distribution reinvestment plans:	N/A
c. Details of associates and joint venture entities:	N/A
d. Other information	N/A

Audit

The preliminary financial statements are currently in the process of being audited by the group's independent auditor. Consequently, no audit opinion is expressed.

The directors do not anticipate material changes to the results presented in this Appendix 4E and preliminary financial report compared with the full audited annual report to be released by 30 September 2019.

QuickFee Limited

ABN 93 624 448 693

Preliminary financial report - 30 June 2019

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These preliminary financial statements are the consolidated preliminary financial statements of the group consisting of QuickFee Limited and its controlled entities. A list of the major controlled entities is included in note 10. The preliminary financial statements are presented in the Australian currency.

QuickFee Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

QuickFee Limited
Level 3, 62 Lygon Street
Carlton VIC 3053

Its principal place of business is:

QuickFee Limited
Suite 4.05, 10 Century Circuit
Baulkham Hills NSW 2153

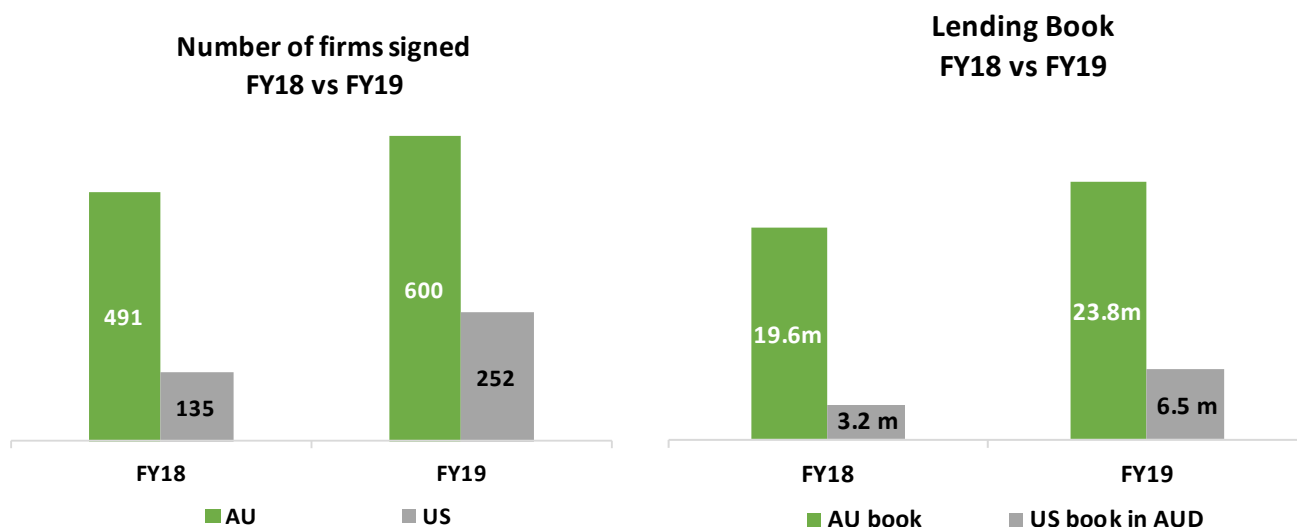
The preliminary financial statements were authorised for issue by the directors on 27 August 2019. The directors have the power to amend and reissue the preliminary financial statements.

Directors	Mr Barry Lewin <i>Non-Executive Chairman</i> Mr Bruce Coombes <i>Managing Director and Chief Executive Officer</i> Mr Dale Smorgon <i>Non-Executive Director</i>
Secretary	Mr Phillip Hains Ms Jennifer James
Registered office	Level 3, 62 Lygon Street Carlton VIC 3053 Australia Telephone: +61 (0)3 9824 5254
Principal place of business	Suite 4.05, 10 Century Circuit Baulkham Hills NSW 2153 Australia Telephone: +61 (0)2 8090 7700 520 Broadway, 2nd Floor Santa Monica CA 90401 United States Telephone: +1 (844) 968 4387
Share register	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Telephone: +61 (0)2 9290 9600
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne VIC 3000 Telephone: +61 (0)3 9824 8555
Solicitors	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000 Telephone: +61 (0)8 9321 4000
Bankers	Westpac Banking Corporation
Stock exchange listings	QuickFee Limited shares are listed on the Australian Securities Exchange (ASX code: QFE)
Website	www.quickfee.com.au

Dear Fellow Shareholders,

The 2019 financial year has been a monumental year for QuickFee Limited ('QuickFee', 'group' or 'company'). Listing on the ASX post-year end was a significant transition for the group, but the achievements of FY 2019 should first be acknowledged. It was a period of continued growth and several key successes, which included:

- Sustained growth in the Australian lending book, up 15% on the prior period, to end the year with a record \$42 million being lent to clients of professional firms;
- Recorded our best year in lending in the US, up 70% on the prior year, to end the year at a record US\$8 million of lending;
- Recorded our highest pre-tax profit of \$851,086 by QuickFee Australia Pty Ltd;
- Continued growth in the number of firms using the QuickFee platform, up 109 firms in Australia and up 117 new firms in the US;
- Continued traction with legal firms in the Australian market, which now represents 24% of the total loan book, and
- Successfully raised \$13.5 million through the IPO on 9 July 2019, which was significantly oversubscribed.



We have moved swiftly to strengthen our US team with a number of new additions. One of the key appointments made in May 2019 was Richard Formoe as Chief Revenue Officer. Richard has an outstanding track record in building sales teams in fintech companies across the US and in the short amount of time Richard has had with QuickFee, he has already made a strong contribution to our US business.

We are very excited about executing our business model and meeting the needs of the market that we are addressing. I am pleased to share with you the key findings from this year's 2019 Borrower Survey, which was sent to more than 4,000 clients of accounting and law firms to provide feedback on their experience with taking a loan from QuickFee. These findings included:

- Over 90% of users surveyed said that the availability of payment plans was important;
- 94% were likely to use a QuickFee payment plan option next time they receive an invoice from their accountant or lawyer, and
- 92% found the application process very easy.

These findings give us further validation of the need for our products and the ambitious growth strategy upon which we are executing.

Looking forward, we have a strong focus on executing against the growth strategy outlined in our prospectus, by investing in our sales capabilities and marketing activities, and to rapidly grow our loan book. I am confident that we have the right strategy, the right leadership and the means to build a great team. Certainly, the right market opportunities exist to build a long term sustainable and profitable QuickFee.

I would like to take this opportunity to welcome our Chairman, Mr Barry Lewin, to the QuickFee board. Barry is working alongside my long-term fellow director Mr Dale Smorgon to ensure our corporate governance reflects best practice and that we execute well against our stated strategy. We look forward to his valued contribution and stewardship.

I would also like to thank our team for all of their hard work during a very busy year. Achieving record results during the year in which we completed our successful IPO is testament to the quality of our people. We have built a solid foundation on the back of our proven business model and are now well placed to execute on our growth plans in Australia and build on our footprint and first mover advantage in the very large addressable US market.

Sincere thanks must also go to our new shareholders for your support. QuickFee could not take advantage of the significant market opportunity we have without your support.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'BC', with a long horizontal line extending to the right.

Mr Bruce Coombes
Chief Executive Officer

QuickFee Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

		From 15 February to 30 June 2018	\$
	Notes	30 June 2019	\$
Revenue from contracts with customers	2	5,803,170	1,493,319
Cost of sales	3(b)	(1,703,819)	(562,031)
Gross profit		4,099,351	931,288
Other income		2,302	-
Other gains/(losses) – net	3(a)	77,089	2,957
General and administrative expenses	3(b)	(2,771,845)	(802,108)
Selling and marketing expenses	3(b)	(1,802,100)	(367,902)
Operating loss		(395,203)	(235,765)
Listing costs		(525,311)	-
Loss before income tax		(920,514)	(235,765)
Income tax expense		(234,418)	(43,208)
Loss for the period		(1,154,932)	(278,973)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,712	42,213
Total comprehensive loss for the period		(1,153,220)	(236,760)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share	14	(0.43)	(0.10)
Pro forma loss per share (based on ordinary shares post-IPO)	14	(0.01)	-

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

QuickFee Limited
Consolidated balance sheet
As at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	4(a)	2,781,387	4,155,653
Loan receivables	4(b)	29,457,833	22,353,816
Other receivables		60,722	3,791
Other current assets		240,152	111,398
Total current assets		32,540,094	26,624,658
Non-current assets			
Loan receivables	4(b)	599,229	271,318
Property, plant and equipment		23,790	8,439
Deferred tax assets		39,516	-
Other non-current assets		125,199	114,177
Total non-current assets		787,734	393,934
Total assets		33,327,828	27,018,592
LIABILITIES			
Current liabilities			
Loan settlements outstanding	4(b)	4,315,530	3,056,739
Trade and other payables	4(c)	605,032	186,529
Borrowings	4(d)	27,036,877	18,957,670
Current tax liabilities		157,046	86,247
Deferred revenue		150,773	81,478
Employee benefit obligations		78,417	-
Total current liabilities		32,343,675	22,368,663
Non-current liabilities			
Borrowings	4(d)	434,222	2,339,428
Deferred tax liabilities		-	5,605
Employee benefit obligations		75,658	-
Total non-current liabilities		509,880	2,345,033
Total liabilities		32,853,555	24,713,696
Net assets		474,273	2,304,896
EQUITY			
Contributed equity	5(a)	2,644,253	2,641,656
Other reserves	5(b)	43,925	42,213
Accumulated losses		(2,213,905)	(378,973)
Total equity		474,273	2,304,896

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

QuickFee Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019

	Notes	Attributable to owners of QuickFee Limited			Total equity \$
		Contributed equity \$	Other reserves \$	Accumulated losses \$	
Balance at 15 February 2018		1	-	-	1
Loss for the period		-	-	(278,973)	(278,973)
Other comprehensive income		-	42,213	-	42,213
Total comprehensive income/(loss) for the period		-	42,213	(278,973)	(236,760)
Transactions with owners in their capacity as owners:					
Common control transaction	5(a), 9	2,641,655	-	-	2,641,655
Dividends paid to controlled entity's shareholders	8(b)	-	-	(100,000)	(100,000)
		2,641,655	-	(100,000)	2,541,655
Balance at 30 June 2018		2,641,656	42,213	(378,973)	2,304,896
	Notes	Attributable to owners of QuickFee Limited			Total equity \$
		Contributed equity \$	Other reserves \$	Accumulated losses \$	
Balance at 1 July 2018		2,641,656	42,213	(378,973)	2,304,896
Loss for the period		-	-	(1,154,932)	(1,154,932)
Other comprehensive income		-	1,712	-	1,712
Total comprehensive income/(loss) for the period		-	1,712	(1,154,932)	(1,153,220)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	5(a)	120,000	-	-	120,000
Transaction costs arising on future share issues	5(a)	(117,403)	-	-	(117,403)
Dividends paid to controlled entity's shareholders	8(b)	-	-	(680,000)	(680,000)
		2,597	-	(680,000)	(677,403)
Balance at 30 June 2019		2,644,253	43,925	(2,213,905)	474,273

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

QuickFee Limited
Consolidated statement of cash flows
For the year ended 30 June 2019

	30 June 2019	From 15 February to 30 June 2018
Notes	\$	\$
Cash flows from operating activities		
Interest, fees and charges from customers (inclusive of GST)	6,181,472	1,633,878
Payments to suppliers and employees (inclusive of GST)	(4,932,373)	(1,083,796)
Finance costs paid	(1,538,904)	(471,649)
Income taxes paid	(208,739)	(42,043)
Net cash (outflow) inflow from operating activities before changes in operating assets	(498,544)	36,390
Loan principal advanced to customers, net of repayments	(6,305,847)	(2,657,882)
Net cash (outflow) from operating activities	6(a) (6,804,391)	(2,621,492)
Cash flows from investing activities		
Payments for property, plant and equipment	(19,122)	(11,896)
Proceeds from common control transaction (cash acquired)	-	1,850,695
Interest received from financial institutions	1,633	-
Net cash (outflow) inflow from investing activities	(17,489)	1,838,799
Cash flows from financing activities		
Proceeds from issues of shares	5(a) 120,000	-
Proceeds from borrowings, net of repayments	6,060,965	5,047,055
Dividends paid to controlled entity's shareholders	8(b) (680,000)	(100,000)
Net cash inflow from financing activities	5,500,965	4,947,055
Net (decrease) increase in cash and cash equivalents	(1,320,915)	4,164,362
Cash and cash equivalents at the beginning of the financial period	4,155,653	-
Effects of exchange rate changes on cash and cash equivalents	(53,351)	(8,709)
Cash and cash equivalents at end of period	4(a) 2,781,387	4,155,653

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

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1 Segment information

(a) Description of segments and principal activities

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team, consisting of the Chief Executive Officer and the Chief Financial Officer. Management examines the group's performance from a geographic perspective and has identified two reportable segments of its business:

Australia: this part of the business developed the QuickFee platform for Australian firms allowing them to accept monthly payment plans where clients obtain finance online from QuickFee AU to facilitate invoice payments to the firm in full.

United States: following the success of QuickFee AU in the Australian market, management of QuickFee AU incorporated QuickFee US as an entirely separate operation to pursue opportunities in the much larger market in the United States where no direct competitor exists.

(b) Financial breakdown

The segment information for the reportable segments for the year ended 30 June 2019 is as follows:

2019	Australia \$	United States \$	Unallocated \$	Total \$
Revenue from contracts with customers	4,279,418	1,523,752	-	5,803,170
Cost of sales	(1,285,362)	(418,457)	-	(1,703,819)
Gross profit	2,994,056	1,105,295	-	4,099,351
Other income	-	669	1,633	2,302
Other gains/(losses) – net	-	-	77,089	77,089
General and administrative expenses	(1,320,341)	(1,000,869)	(450,635)	(2,771,845)
Selling and marketing expenses	(822,629)	(979,471)	-	(1,802,100)
Operating profit/(loss)	851,086	(874,376)	(371,913)	(395,203)
Listing costs	-	-	(525,311)	(525,311)
Income tax expense	(234,418)	-	-	(234,418)
Profit/(loss) for the year	616,668	(874,376)	(897,224)	(1,154,932)
Assets				
Segment assets	24,538,168	8,778,216	11,444	33,327,828
Total assets	24,538,168	8,778,216	11,444	33,327,828
Liabilities				
Segment liabilities	22,718,483	9,782,509	352,563	32,853,555
Total liabilities	22,718,483	9,782,509	352,563	32,853,555

1 Segment information (continued)

(b) Financial breakdown (continued)

The segment information for the reportable segments for the period ended 30 June 2018 is as follows:

2018	Australia \$	United States \$	Unallocated \$	Total \$
Revenue from contracts with customers	1,238,454	254,865	-	1,493,319
Cost of sales	(473,213)	(88,818)	-	(562,031)
Gross profit	765,241	166,047	-	931,288
Other gains/(losses) – net	-	-	2,957	2,957
General and administrative expenses	(398,984)	(259,162)	(143,962)	(802,108)
Selling and marketing expenses	(210,661)	(157,241)	-	(367,902)
Operating profit/(loss)	155,596	(250,356)	(141,005)	(235,765)
Income tax expense	(43,208)	-	-	(43,208)
Profit/(loss) for the period	112,388	(250,356)	(141,005)	(278,973)
Assets				
Segment assets	20,978,556	5,388,997	651,039	27,018,592
Total assets	20,978,556	5,388,997	651,039	27,018,592
Liabilities				
Segment liabilities	19,054,641	5,659,055	-	24,713,696
Total liabilities	19,054,641	5,659,055	-	24,713,696

2 Revenue from contract with customers

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of services over time and at a point in time in the following major streams:

	Interest revenue	Application fee revenue	Merchant fee revenue	Platform fee revenue	Other revenue	Total
	\$	\$	\$	\$	\$	\$
2019						
Timing of revenue recognition						
At a point in time	-	-	122,892	159,502	25,972	308,366
Over time	4,538,754	679,982	-	276,068	-	5,494,804
	4,538,754	679,982	122,892	435,570	25,972	5,803,170
2018						
Timing of revenue recognition						
At a point in time	-	-	27,544	26,268	1,569	55,381
Over time	1,186,750	166,423	-	73,810	10,955	1,437,938
	1,186,750	166,423	27,544	100,078	12,524	1,493,319

(b) Accounting policies

(i) Interest revenue

Revenue from interest on loans advanced is recognised over the life of the loans granted by the group to its customers as the performance obligation is satisfied over the period loans remain outstanding. The group recognises revenue on loans receivable using the effective interest rate method (in accordance with AASB 9 *Financial Instruments*), based on estimated future cash receipts over the expected life of the financial asset. In making their judgement of estimated future cash flows and expected life of the loans receivable balance, management have considered historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement and contract.

(ii) Application fee revenue

Revenue from application fees is recognised over the life of the loans granted by the group to its customers as the performance obligation is satisfied over the period loans remain outstanding.

(iii) Merchant fee revenue

Revenue from merchant fees is recognised at a point in time when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the consideration.

(iv) Platform fee revenue

Revenue from the QSOP platform is split between joining/set up fees and recurring monthly subscription fees. Joining/set up fee revenue is recognised at a point in time once the single performance obligation of establishing the customer onto the platform is satisfied. Recurring monthly subscription fee revenue is recognised on a straight-line basis over the subscription term.

3 Other income and expense items

(a) Other gains/(losses)

	30 June 2019 \$	From 15 February to 30 June 2018 \$
Net foreign exchange gains/(losses)	77,089	2,957
	<u>77,089</u>	<u>2,957</u>

(b) Breakdown of expenses by nature

	30 June 2019 \$	From 15 February to 30 June 2018 \$
Cost of sales		
Credit checks and insurance	144,520	67,939
Finance costs	1,538,904	471,649
Platform costs	20,395	22,443
	<u>1,703,819</u>	<u>562,031</u>
General and administrative expenses		
Accounting and audit	121,511	56,773
Bad debts	38,138	-
Computer costs	195,045	44,156
Consulting	438,887	113,988
Depreciation	3,771	19,457
Employee benefits	1,141,971	278,015
Insurance	16,331	2,448
Legal	5,400	27,926
Occupancy	144,098	42,365
Recruitment and staff training	81,681	47,310
Superannuation	42,179	14,622
Travel and entertainment	350,202	111,539
Other	192,631	43,509
	<u>2,771,845</u>	<u>802,108</u>
Selling and marketing expenses		
Commissions	36,709	1,416
Employee benefits	1,363,183	292,465
Marketing	341,439	57,232
Superannuation	60,769	16,789
	<u>1,802,100</u>	<u>367,902</u>

4 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2019 \$	2018 \$
Current assets		
Cash at bank and in hand	<u>2,781,387</u>	4,155,653

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial period as follows:

	2019 \$	2018 \$
Balances as above	<u>2,781,387</u>	4,155,653
Balances per statement of cash flows	<u>2,781,387</u>	4,155,653

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 16(h) for the group's other accounting policies on cash and cash equivalents.

(iii) Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Loans

	Current \$	2019 Non- current \$	Total \$	Current \$	2018 Non- current \$	Total \$
Loan receivables						
Gross loan receivables	30,996,705	700,655	31,697,360	23,693,305	271,318	23,964,623
Deferred interest revenue	(1,538,872)	(101,426)	(1,640,298)	(1,339,489)	-	(1,339,489)
	<u>29,457,833</u>	<u>599,229</u>	<u>30,057,062</u>	<u>22,353,816</u>	<u>271,318</u>	<u>22,625,134</u>
Loan payables						
Loan settlements outstanding	(4,315,530)	-	(4,315,530)	(3,056,739)	-	(3,056,739)
	<u>(4,315,530)</u>	<u>-</u>	<u>(4,315,530)</u>	<u>(3,056,739)</u>	<u>-</u>	<u>(3,056,739)</u>
Net loan receivables	<u>25,142,303</u>	<u>599,229</u>	<u>25,741,532</u>	<u>19,297,077</u>	<u>271,318</u>	<u>19,568,395</u>

4 Financial assets and financial liabilities (continued)

(b) Loans (continued)

(i) Classification as of loan receivables

Gross written loans represent cash to be received at balance date. Deferred interest revenue represents interest accumulated on individual loans which will be recognised as revenue in future periods using the effective interest rate method.

(ii) Recognition and measurement of loan receivables

Gross written loans are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Loans and other receivables are due for settlement at various times in line with the terms of their contracts.

(iii) Classification as of loan settlements outstanding

Loan settlements outstanding represent loans approved but yet to be settled by the group to professional firms, usually due to the first loan instalment having not been received as cleared funds.

(c) Trade and other payables

	Current \$	2019 Non- current \$	Total \$	Current \$	2018 Non- current \$	Total \$
Trade payables	163,821	-	163,821	35,982	-	35,982
Accrued expenses	364,814	-	364,814	101,536	-	101,536
Other payables	76,397	-	76,397	49,011	-	49,011
	605,032	-	605,032	186,529	-	186,529

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

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

4 Financial assets and financial liabilities (continued)

(d) Borrowings

	Current \$	2019 Non- current \$	Total \$	Current \$	2018 Non- current \$	Total \$
<i>Secured</i>						
Global Credit Investments (i)	4,277,770	-	4,277,770	-	2,097,145	2,097,145
Lease Collateral (ii)	18,194,860	434,222	18,629,082	15,609,621	242,283	15,851,904
Total secured borrowings	22,472,630	434,222	22,906,852	15,609,621	2,339,428	17,949,049
<i>Unsecured</i>						
Bonec (iii)	150,000	-	150,000	-	-	-
Carrot Consulting (iv)	400,000	-	400,000	700,000	-	700,000
Convertible loans (v)	1,600,000	-	1,600,000	1,480,000	-	1,480,000
Derida (vi)	800,000	-	800,000	300,000	-	300,000
Jamada Holdings (vii)	250,000	-	250,000	-	-	-
Wingate Direct Investments (viii)	400,000	-	400,000	300,000	-	300,000
Other unsecured borrowings (ix)	1,112,962	-	1,112,962	676,498	-	676,498
Total unsecured borrowings	4,712,962	-	4,712,962	3,456,498	-	3,456,498
<i>Capitalised borrowing costs</i>						
Unamortised borrowing costs	(148,715)	-	(148,715)	(108,449)	-	(108,449)
Total capitalised borrowing costs	(148,715)	-	(148,715)	(108,449)	-	(108,449)
Total borrowings	27,036,877	434,222	27,471,099	18,957,670	2,339,428	21,297,098

(i) Global Credit Investments Pty Ltd

The Global Credit Investments Pty Ltd (GCI) loan was entered into on 1 September 2017 and matures on 31 August 2019. The loan is secured over certain identified receivables of QuickFee Group LLC (QuickFee US). The loan attracts interest at 10% per annum paid monthly in arrears and has a limit of US\$5,000,000. Further draw downs are at the lender's discretion. The loan does not have an equity conversion feature.

(ii) Lease Collateral Pty Ltd

A loan with a limit of \$20,000,000 was entered into with Lease Collateral Pty Ltd. The loan attracts interest at 3.95% per annum plus the base rate as published by the Reserve Bank of Australia. The loan matures 12 months after the date that a termination notice is sent by either party. As at the date of this report a termination notice had not been received from either party. The loan is secured over the QuickFee Australia Pty Ltd loan book and does not have an equity conversion feature.

There is an established business practice for partial repayments following receipt of funds from the group's loan customers in accordance with their loan schedule. Non-current loans represent loans whereby the loan customer is not required to repay to the group within 12 months and thus the obligation of the group to repay these loans would also be for a longer period than 12 months.

4 Financial assets and financial liabilities (continued)

(d) Borrowings (continued)

(iii) Bonec Pty Limited

An unsecured loan with Bonec Pty Limited, an entity controlled by Mr Bruce Coombes, was entered into on 26 November 2018. Interest is charged monthly at 10% per annum and the loan converted to ordinary share capital on IPO of QuickFee Limited as disclosed in note 12.

(iv) Carrot Consulting Pty Limited

An unsecured loan with Carrot Consulting Pty Limited, an entity controlled by Mr Bruce Coombes, was entered into on 1 June 2018 with repayment expected on 31 December 2019. Interest is charged monthly at 12% per annum and the loan has a limit of \$500,000.

(v) Convertible loans

Convertible loan agreements were entered into between the group and a number of parties in the period ended 30 June 2018. The notes converted to ordinary share capital at \$0.10 each on IPO of QuickFee Limited as disclosed in note 12. The conversion of the loan was at the discretion of the group.

(vi) Derida Pty Limited

An unsecured loan with Derida Pty Limited, an entity in which Mr Dale Smorgon is a 25% shareholder and director, was entered into on 1 June 2018 with repayment expected on 31 December 2019. Interest is charged monthly at 12% per annum and the loan has a limit of \$500,000.

A separate unsecured loan with Derida Pty Limited was entered into on 26 November 2018. Interest is charged monthly at 10% per annum and the loan converted to ordinary share capital on IPO of QuickFee Limited as disclosed in note 12.

(vii) Jamada Holdings Pty Limited

An unsecured loan with Jamada Holdings Pty Limited, an entity controlled by Mr Bruce Coombes, was entered into on 26 November 2018. Interest is charged monthly at 10% per annum and the loan converted to ordinary share capital on IPO of QuickFee Limited as disclosed in note 12.

(viii) Wingate Direct Investments Pty Limited

An unsecured loan with Wingate Direct Investments Pty Limited, an entity associated with Mr Franco Dogliotti (director of QuickFee Australia Pty Ltd until May 2019), was entered into on 1 June 2018 with repayment expected on 31 December 2019. Interest is charged monthly at 12% per annum and the loan has a limit of \$500,000.

(ix) Other unsecured borrowings

Other unsecured borrowings comprise loans of:

- \$400,000 as at 30 June 2019 (2018: nil) entered into on 26 November 2018. Interest is charged monthly at 10% per annum and the loan converted to ordinary share capital on IPO of QuickFee Limited as disclosed in note 12.
- US\$500,000 facility limit with US\$500,000 (A\$715,962) drawn down as at 30 June 2019 (2018: US\$500,000 or A\$676,498) and interest charged monthly at 6% per annum.

(x) Fair value

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

5 Equity

(a) Contributed equity

	Notes	9 July 2019 Shares	30 June 2019 Shares	30 June 2018 Shares	9 July 2019 \$	30 June 2019 \$	30 June 2018 \$
Ordinary shares	5(a)(ii)						
Fully paid		140,550,001	2,729,167	2,700,001	19,104,254	2,644,253	2,641,656
	5(a)(i)	140,550,001	2,729,167	2,700,001	19,104,254	2,644,253	2,641,656

(i) Movements in ordinary shares:

Details	Number of shares	Total \$
Balance at 15 February 2018	1	1
Common control transaction (2018-02-15) ¹	2,700,000	2,641,656
Balance at 30 June 2018	2,700,001	2,641,657
Issue at \$4.11 to employees of QuickFee Australia Pty Ltd (2019-01-23)	29,166	120,000
Less: Transaction costs arising on future share issues on IPO ²	-	(117,403)
Balance at 30 June 2019	2,729,167	2,644,254
Share split pursuant to IPO (2019-07-09)	47,520,834	-
Issue at \$0.10 on conversion of QuickFee Limited seed loan agreements (2019-07-09)	16,000,000	1,600,000
Issue at \$0.20 on conversion of QuickFee US s/holder loan agreements (2019-07-09)	6,000,000	1,200,000
Issue at \$0.20 pursuant to IPO (2019-07-09)	67,500,000	13,500,000
Issue at \$0.20 as consideration to broker on IPO (2019-07-09)	800,000	160,000
Balance at 9 July 2019³	140,550,001	19,104,254

Notes

¹ As disclosed in note 9, the deemed occurrence of the common control transaction was 15 February 2018 from an accounting perspective (notwithstanding the IPO and legal acquisition date of 9 July 2019). The transaction value of \$2,641,656 represents the net assets of the combining entities reflected at their 15 February 2018 carrying amounts. This value does not represent cash inflows of fully paid ordinary shares and should not be interpreted as such. The number of shares is the total of the separate share registries of the combining entities as at 15 February 2018.

² Transaction costs that would have occurred regardless of the IPO proceeding were recognised in the year ended 30 June 2019. Such costs have been prorated between 'listing costs' in profit or loss and as a deduction to equity according to the ratio of new shares (relative to the overall capital structure) issued upon IPO.

5 Equity (continued)

(a) Contributed equity (continued)

³. Balance at 9 July 2019 excludes transaction costs arising on share issues contingent on the successful completion of the IPO, principally broker underwriting and management fees.

(ii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(b) Other reserves

The consolidated balance sheet line item 'other reserves' comprises the 'foreign currency translation reserve'.

(i) Nature and purpose of other reserves

Foreign currency translation

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 16(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

6 Cash flow information

(a) Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Notes	2019 \$	2018 \$
Loss for the period		(1,154,932)	(278,973)
Adjustments for			
Depreciation	3(b)	3,771	19,457
Interest income from financial institutions		(1,633)	-
Change in operating assets and liabilities:			
Movement in loan receivables		(6,005,038)	(2,488,894)
Movement in other receivables		(56,931)	107,532
Movement in other operating assets		(179,292)	(55,432)
Movement in trade and other payables		301,100	120,125
Movement in other operating liabilities		288,564	(45,307)
Net cash inflow (outflow) from operating activities		(6,804,391)	(2,621,492)

7 Critical estimates and judgements

The preparation of preliminary financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the preliminary financial statements.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Estimation of split between transaction costs arising on future share issues between profit or loss and equity - note 5(a)(i)
- Non-recognition of carry-forward tax losses attributed to QuickFee US and QuickFee Limited in its capacity as company, not as group. Deferred tax assets are recognised for deductible temporary differences only if the entities consider it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As at 30 June 2019, no deferred tax balances have been recognised in relation to these entities.
- Non-recognition of expected credit losses on loan receivables. The group is not exposed to any significant credit risk due to the fact that the group has recourse against the borrowers to recover amounts in respect of unpaid invoices used as collateral for any loan granted. Historically the risk of default has been immaterial due to the underlying professional services firms being low risk. The group also has credit insurance to mitigate against the risk of default and there is not a significant risk of concentration.
- Determination of the common control transaction - note 9

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

8 Capital management

(a) Risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares or reduce its capital, subject to the provisions of the group's constitution. The capital structure of the group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the board by the group's management, the board monitors the need to raise additional equity from the equity markets.

8 Capital management (continued)

(b) Dividends

(i) Ordinary shares

	30 June 2019 \$	From 15 February to 30 June 2018 \$
Dividends to shareholders of QuickFee Australia Pty Ltd	680,000	100,000

Dividends of \$680,000 were paid in the period ended 30 June 2019 (2018: \$100,000) to the shareholders of QuickFee Australia Pty Ltd. These dividends were paid prior to the legal acquisition of QuickFee Australia Pty Ltd by QuickFee Limited as disclosed in note 9. Accordingly, these dividends do not represent dividends of QuickFee Limited and should not be interpreted as such.

(ii) Franked dividends

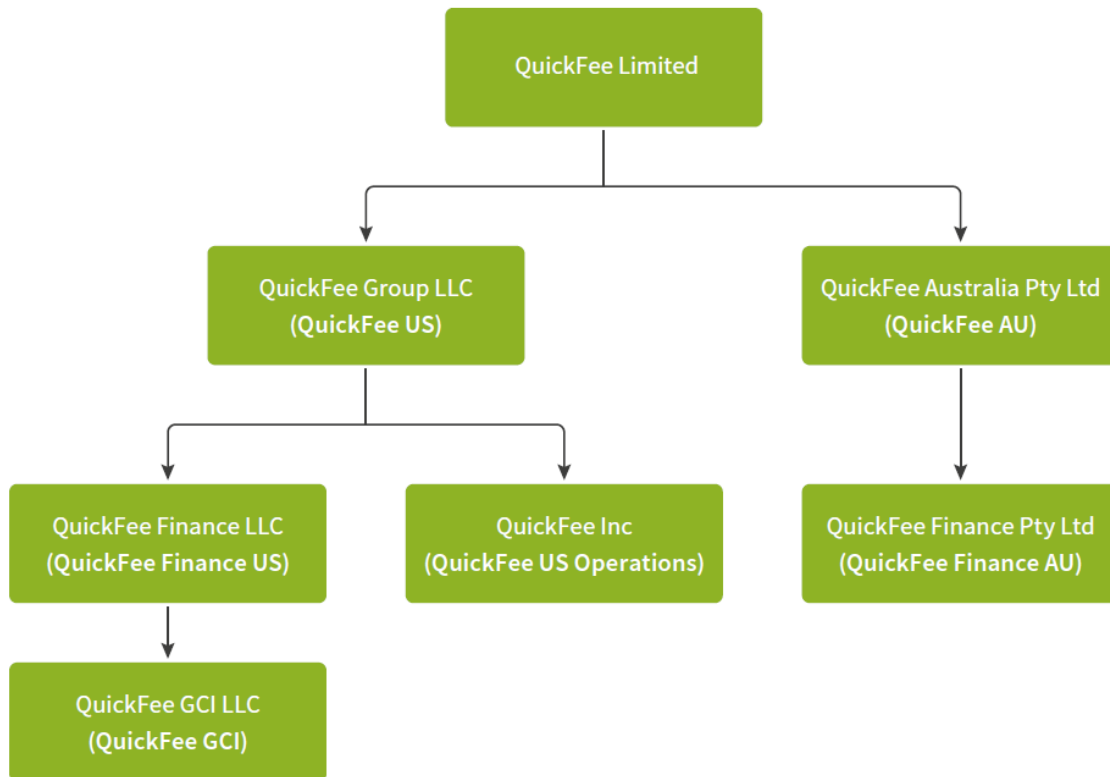
	Consolidated entity	
	2019 \$	2018 \$
Franking credits available for subsequent reporting periods based on a tax rate of 27.5% (2018: 27.5%)	379,704	428,895

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

9 Common control transaction

The group entered into binding acquisition agreements to acquire 100% of the issued share capital in both QuickFee Australia Pty Ltd (QuickFee AU) and QuickFee Group LLC (QuickFee US) as described in the group structure below.



These binding agreements were subject to certain conditions including the completion of the IPO which occurred on 9 July 2019. The transaction resulted in existing shareholders of both QuickFee AU and QuickFee US becoming shareholders of QuickFee Limited, which is ultimately the parent entity of the group. The characteristics of this transaction are outside the scope of AASB 3 *Business Combinations* due to the common control of both the acquirer and the acquirees. This also meant that the shareholder group which controlled QuickFee Limited also effectively controlled QuickFee AU and QuickFee US from the date of the group's incorporation.

In determining the date of common control from an accounting (as opposed to legal) perspective, the 15 February 2018 incorporation date of the parent entity was determined to be the date of the common control transaction.

Management have accounted for the combination using the 'pooling method' of common control as detailed below:

- Assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments have been made to reflect fair values, or recognise any new assets or liabilities, that would otherwise have been done under the acquisition method of accounting under AASB 3. The only adjustments that have been made were to harmonise accounting policies;
- No goodwill has been recognised as a result of the combination;

9 Common control transaction (continued)

- The consolidated statement of profit or loss and other comprehensive income reflects the results of the combining entities for the period from 1 July 2018 to 30 June 2019, and
- Comparative information has been presented reflecting the period from 15 February 2018 to 30 June 2018, with the former representing the date of the common control transaction as outlined above.

10 Interests in other entities

(a) Material controlled entities

The group's controlled entities at 30 June 2019 are set out below. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		
		9 July 2019 %	30 June 2019 %	30 June 2018 %
QuickFee Australia Pty Ltd	Australia	100	-	-
QuickFee Finance Pty Ltd	Australia	100	-	-
QuickFee GCI Pty Limited	Australia	100	-	-
QuickFee Group LLC	United States	100	-	-
QuickFee Finance LLC	United States	100	-	-
QuickFee GCI LLC	United States	100	-	-
QuickFee, Inc.	United States	100	-	-

As at 30 June 2019, legal ownership of the above mentioned controlled entities did not exist. As disclosed in note 9, the deemed occurrence of the common control transaction was 15 February 2018 from an accounting perspective (notwithstanding the IPO date of 9 July 2019). Accordingly, the group's controlled entities became subsidiaries on 9 July 2019 with 100% ownership interests held by the group at this date.

11 Contingent liabilities

The group had no material contingent liabilities at 30 June 2019 (2018: nil).

12 Events occurring after the reporting period

On 9 July 2019, QuickFee Limited undertook an IPO on the Australian Securities Exchange (ASX) with 67,500,000 ordinary shares issued at \$0.20 each, raising \$13,500,000 before transaction costs. Many transactions were contractually covenanted to take place upon the IPO, including:

- A share split taking total ordinary shares from 2,729,167 to 50,250,001 as disclosed in note 5(a)(i);
- The legal acquisition by QuickFee Limited of QuickFee AU as disclosed in note 9, resulting in the issue of 24,000,000 ordinary shares in the company and cash settlement of \$3,200,000 as consideration;
- The legal acquisition by QuickFee Limited of QuickFee US as disclosed in note 9, resulting in the issue of 26,250,000 ordinary shares as consideration;
- The conversion of seed loan agreements described in note 4(d)(v) with various lenders pursuant to which the \$1,600,000 was loaned to QuickFee Limited. Such loans converted into shares at an issue price of \$0.10 per share resulting in the issuance of 16,000,000 ordinary shares in the company;

12 Events occurring after the reporting period (continued)

- The conversion of loan agreements with QuickFee US shareholders described in notes 4(d)(iii), 4(d)(vi), 4(d)(vii) and 4(d)(ix) pursuant to which the \$1,200,000 was loaned to QuickFee Limited. Such loans converted into shares at an issue price of \$0.20 per share resulting in the issuance of 6,000,000 ordinary shares in the company;
- The grant of 800,000 shares and 3,000,000 broker options in consideration for services provided to the company prior to termination of EverBlu Capital Pty Ltd as lead manager of the IPO. These options expire on 9 July 2022 and comprise three tranches of 1,000,000 options with exercise prices of \$0.20, \$0.30 and \$0.40, respectively;
- The grant of 3,000,000 executive options to Mr Bruce Coombes. These options expire on 9 July 2023 and comprise three tranches of 1,000,000 options (Class A, B and C) with exercise prices of \$0.30, \$0.40 and \$0.50, respectively. Class A, B and C vest and become capable of exercise 12, 24 and 36 months, respectively, from their date of issue contingent on continued employment at each vesting date.
- The grant of 5,851,370 performance rights to employees of QuickFee US, including 2,925,685 to Mr James Drummond. These performance rights vest upon QuickFee US having successfully contracted more than 300 firms (by number) within 24 months following the issue date.
- The grant (precipitating the subsequent issue) of a contingent equity arrangements including performance rights and options to senior management, consultants and directors.

These other transactions contingent on the IPO were adjudged to be Type 2 non-adjusting subsequent events.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial periods.

13 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) William Buck Audit (Vic) Pty Ltd

(i) Audit and other assurance services

	2019 \$	2018 \$
Audit and review of financial statements	39,909	17,205
Other assurance services		
Investigating accountant's report	9,000	-
Total remuneration for audit and other assurance services	<u>48,909</u>	<u>17,205</u>
 Total auditor's remuneration	 <u>48,909</u>	 <u>17,205</u>

14 Loss per share

(a) Reconciliation of loss used in calculating loss per share

	30 June 2019 \$	From 15 February to 30 June 2018 \$
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Basic and diluted loss per share

Loss attributable to the ordinary equity holders of the company used in calculating loss per share:

From continuing operations	1,154,932	278,973
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(b) Weighted average number of shares used as the denominator

	30 June 2019 Number	30 June 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	2,712,626	2,700,001

	Notes	9 July 2019 Number
Number of ordinary shares on issue post-IPO used as the denominator in calculating pro forma loss per share	5(a)(i)	140,550,001

15 Parent entity financial information

(a) Summary financial information

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

	2019 \$	2018 \$
Balance sheet		
Current assets	11,444	638,431
Non-current assets	4,618,687	3,470,616
Total assets	4,630,131	4,109,047
Current liabilities	3,152,563	1,467,391
Total liabilities	3,152,563	1,467,391
<i>Shareholders' equity</i>		
Contributed equity	2,524,253	2,641,656
Retained earnings	(1,046,685)	-
	<u>1,477,568</u>	<u>2,641,656</u>
Loss for the period	<u>1,046,685</u>	-
Total comprehensive loss	<u>1,046,685</u>	-

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in relation to debts of its controlled entities in the period ended 30 June 2019 (2018: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment in the period ended 30 June 2019 (2018: nil).

(e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated preliminary financial statements.

Contents of the summary of significant accounting policies

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16 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated preliminary financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The preliminary financial statements are for the group consisting of QuickFee Limited and its controlled entities.

(a) Basis of preparation

The financial information included in this document for the year ended 30 June 2019 is unaudited. The financial information does not constitute QuickFee Limited's full financial statements for the year ended 30 June 2019, which will be approved by the board, reported on by the auditors, and lodged with the Australian Securities Exchange (ASX). The full financial statements will be prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The group's preliminary financial report does not include all the notes of the type normally included in an annual financial report. The preliminary financial report has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements of Australian Accounting Standards and Interpretations and the *Corporations Act 2001*.

This preliminary financial report is the first financial report of the group and covers the period from 1 July 2018 to 30 June 2019. The comparative period is from 15 February 2018 to 30 June 2018.

(i) Historical cost convention

The preliminary financial statements have been prepared on a historical cost basis.

(b) Principles of consolidation

(i) Controlled entities

Controlled entities are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The 'pooling method' of accounting is used to account for common control business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has been identified as the chief executive officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the preliminary financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated preliminary financial statements are presented in Australian dollar (\$), which is QuickFee Limited's functional and presentation currency.

16 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in note 2.

(f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

16 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company 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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

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

(i) Loans receivable and payable

The accounting policies for the group's loan receivables and loan settlements outstanding (loan payables) are explained in note 4(b).

(j) Trade and other payables

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

16 Summary of significant accounting policies (continued)

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(m) 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.

(n) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

16 Summary of significant accounting policies (continued)

(o) Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners 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 period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the preliminary financial statements. Amounts in the preliminary financial statements have been rounded off in accordance with the instrument to the nearest dollar.

(q) 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 consolidated 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 flows.

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