

OTHERLEVELS

OTHERLEVELS HOLDINGS LIMITED

ACN 603 987 266

Annual Report

For the year ended 30 June 2019

OTHERLEVELS HOLDINGS LIMITED

Annual report for the year ended 30 June 2019

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OtherLevels Holdings Limited ACN 603 987 266

Chairman and Managing Director's Letter

Dear fellow shareholders,

On behalf of the Board we present the annual report of OtherLevels Holdings Limited ("**OtherLevels**", or the "**Company**") for the financial year ending 30 June 2019 ("FY19").

The Company made steady progress during FY19 including signing 7 new clients during the year, the successful acquisition and integration of XCOM Media and increasing its success and presence in the emerging US sport betting market.

However, FY19 also presented various challenges including delays in securing new business, particularly in H1 FY19, consolidation within the UK wagering sector and resulting impact upon OtherLevels clients, and the lead time in the US for operators to obtain sports betting licences as enabling legislation is enacted on a state by state basis.

Total group revenues for FY19 was A\$5.6m, a 7% increase over FY18. The FY19 EBITDA was a loss of \$1.7m and Net Loss After Tax was \$3.4m.

Licence revenues increased by 10% from \$3.6m in FY18 to \$3.9m and represented 71% of total FY19 revenues. The Managed services revenue stream increased by 87% from \$421,977 to \$788,850. Professional services decreased by 49% from \$1.2 to \$0.6m and represented 11% of FY19 revenues.

UK operations constituted 44% of total group revenue, Australia operations contributed 34% and the US operations 22%. Revenue from Australian operations increased from \$0.9m to \$1.9m boosted by XCOM's contribution. US operations had a 33% increase in revenue from \$0.9m to \$1.2m.

The lower than forecast results in FY19 led to a detailed review by the Board of the Company's cost base and sales and go to market model as announced in the operational update in July 2019.

The company restructured certain roles which, together with other savings, has reduced the annualised cost base by approximately \$1.3m, with the bulk of these reductions being realisable from the start of FY20.

The Company will focus on four core sales objectives in FY20 which include:

- Retain and extend OtherLevels installed client base;
- Amplify OtherLevels opportunity in the global wagering and sportsbook markets via distribution channels;
- Continue to seek further opportunities in the mid-market in Australia and New Zealand, based on the successful acquisition of XCOM; and
- Grow OtherLevels presence in selective sectors where we have established clients, in particular travel and hospitality.

The Board believes these actions will significantly improve the performance of the business, improve efficiency and maximise our sales potential.

The opportunity in the emerging US sports betting market continues to develop. To date 10 states have passed legislation enabling retail and/or on-line sports betting, and in some states, iGaming. A further 17 states are in the process of drafting or enacting sports betting legislation. The size of the US sports betting market is in excess of US \$150bn and we are pleased that we already have 4 clients in the leading state, New Jersey, as well as 2 clients in Pennsylvania.

In order to address this and other opportunities, the Company continues to progress discussions with leading vendors in the martech and sports betting/iGaming markets with a view to accelerating our sales reach via one or more significant resale and distribution agreements.

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Chairman and Managing Director's Letter (continued)

The Company will also continue to review its partnering strategies. In FY20, OtherLevels will focus on a smaller number of deeper partnerships to ensure early joint client success and create referenceable clients as the basis for a successful partnership. OtherLevels membership of the Salesforce partner program, and the Company's integration with Salesforce is a key element of our partner strategy.

In May 2019, OtherLevels established a Convertible Note facility of \$1.0m, which has now been fully underwritten by the Chairman and Managing Director, with the option to convert to shares subject to shareholder approval.

OtherLevels also applied for a Research and Development rebate of \$0.5m for the FY19 year, with the refund expected in Q1 FY20.

The Board believes the company remains significantly undervalued, compared with many early stage companies, either listed on the ASX or held privately. OtherLevels has demonstrable and valuable intellectual property, a range of market leading clients and a high proportion of recurring revenue streams. It is the Board's objective to see the value of the company more truly reflected in its valuation.

In summary, during FY20, OtherLevels strategy of being a leading enterprise marketing automation platform and adding value to key clients through delivering world class digital marketing software and service platforms remains unchanged. The Company's Board and management will continue to closely monitor sales, costs and resulting operating cash flows, and will further adjust costs if required, in order to ensure that OtherLevels is able to further improve operational performance and maximise shareholder returns.

OtherLevels wishes to acknowledge the outstanding contribution of our employees, who remain central to our Company's success.

We would also like to thank all of our shareholders for their continued support and invite you to attend the upcoming AGM. We look forward to seeing you there.

Yours faithfully,



Brian Mitchell
Chairman



Brendan O'Kane
Managing Director

Directors' Report

The directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of OtherLevels Holdings Limited ("OtherLevels" or the "Company") and the entities it controlled, for the year ended 30 June 2019.

Directors

Directors of the Group during the financial year and up to the date of this report are listed below. Directors were in office for the entire period unless noted otherwise.

- Brian Mitchell
- Brendan O'Kane
- Tanya Cox
- Ian Lowles
- Cristiano Nicolli

See pages 5 to 7 for profile information on the directors.

Principal activities

During the year the principal activity of the Group was the conduct of a digital marketing Software-as-a-Service (SaaS) business to enable leading enterprises to communicate with their users on mobile and smart devices. OtherLevels also provides training, implementation, report customisation and other enterprise services to its customers.

Dividends

No dividends were paid to members during the year. Since the end of the year, no dividend has been declared or paid.

Review of operations

A review of operations and financial results are included in the Chairman and Managing Director's Letter on pages 2 to 3 of this report.

Significant changes in the state of affairs

During the period, the Group completed the acquisition of XCOM Media Pty Ltd (assets only). XCOM is an Australian company.

A convertible note facility of \$1m was issued to the Chairman and Managing Director, subject to shareholder approval.

No other significant changes in the state of affairs of the Company occurred for the year ended 30 June 2019.

Matters subsequent to the end of the financial year

Subsequent to year-end, the Chairman, Brian Mitchell and Managing Director, Brendan O'Kane agreed to provide additional short-term funding of \$250,000.

Other than the matters noted above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years,
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Directors' Report (continued)

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Information on directors

The following information is current as at the date of this report.

Brian Mitchell

Qualifications

Experience

Non-executive Chair

FAICD, FAMI, MIML

Mr Mitchell was appointed Chair and non-executive director of the Company in February 2015. Mr Mitchell has been a director of OtherLevels Pty Ltd since February 2012.

Mr Mitchell has broad experience in the information technology sector, having spent more than 30 years in senior management roles in the UK, USA, Australia and Asia Pacific. Most recently he was Senior Vice President, Oracle Asia Pacific, responsible for growing Oracle's expanding software and consulting services across the region.

Other current ASX
directorships

Chair of Bravura Solutions Limited (since 16 December 2009)

Former ASX directorships
in last three years

None

Special responsibilities

Chair of the Board

Interest in shares and
options

21,966,384 shares in OtherLevels Holdings Limited
542,101 options to acquire shares in OtherLevels Holdings Limited

Brendan O'Kane

Qualifications

Experience

Managing Director and Chief Executive Officer

B. Sc. (Hons), MAICD

Mr O'Kane is the founder of the OtherLevels Group and is also the Managing Director and Chief Executive Officer.

Mr O'Kane has an extensive software engineering background, combined with a successful 15-year sales and marketing career with US software companies, including senior appointments with Oracle Corporation in the UK, Europe and the Asia Pacific region.

Other current ASX
directorships

None

Former ASX directorships
in last three years

None

Special responsibilities

Managing Director
Chief Executive Officer

Interest in shares and
options

34,896,196 shares in OtherLevels Holdings Limited
6,009,337 options to acquire shares in OtherLevels Holdings Limited

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Directors' Report (continued)

Tanya Cox	Independent Non-executive Director
Qualifications	MBA, FAICD, FGIA, FCIS
Experience	Ms Cox was appointed to the Board of OtherLevels as an independent director in February 2015. Ms Cox is an experienced non-executive director, a recognised leader in the property sector and accomplished financial services professional. Tanya has expert board experience in capital management, equity raising, M&A, investor relations and ASX regulatory regime. Most recently Ms Cox was Chief Operating Officer of DEXUS Property Group for over a decade.
Other current ASX directorships	Director of BuildingIQ Inc. (since 21 August 2015)
Former ASX directorships in last three years	None
Special responsibilities	Chair of the Audit & Risk Management Committee Member of the Remuneration Committee
Interest in shares and options	319,578 shares in OtherLevels Holdings Limited 542,101 options to acquire shares in OtherLevels Holdings Limited
Ian Lowles	Executive Director and General Manager – Australia & NZ
Qualifications	MAICD
Experience	Mr Lowles was appointed as a non-executive director of the Company in February 2015. Mr Lowles has been a director of OtherLevels Pty Ltd since February 2012. Mr Lowles has spent more than 25 years in senior management roles in the software industry and lived and worked in the UK, Europe, CIS, Australia and Asia Pacific. In recent times he has used his expertise in the mobility and carrier sector in the Asia Pacific, China and Japan as Regional Vice President for Mformation Corporation, Aylus Technologies and Openwave Mobility. Mr Lowles commenced as OtherLevels General Manager – Australia & NZ on 19 February 2018 on a short-term fixed contract which terminated on 31 December 2018.
Other current ASX directorships	None
Former ASX directorships in last three years	None
Special responsibilities	Member of the Remuneration Committee Member of the Audit & Risk Management Committee
Interest in shares and options	12,582,407 shares in OtherLevels Holdings Limited 542,101 options to acquire shares in OtherLevels Holdings Limited

Directors' Report (continued)

Cristiano Nicolli

Independent Non-Executive Director

Qualifications

FAICD

Experience

Mr Nicolli was appointed as an independent non-executive Director on 1 January 2018.

Mr Nicolli has over 35 years' experience in the IT industry in sales, management and leadership roles across the Asia Pacific region. Most recently he was CEO and MD of UXC Limited and prior to that he held senior management roles with Digital Corporation and Compaq Computers.

Other current ASX directorships

Vista Group International Limited (since 17 February 2017)
Empired Limited (since 22 October 2018)

Former ASX directorships in last three years

None

Special responsibilities

Chair of the Remuneration Committee
Member of the Audit & Risk Management Committee

Interest in shares and options

300,000 shares in OtherLevels Holdings Limited

Company Secretary

The Company Secretary is Andrew Ritter. Mr Ritter has over 18 years international finance experience, with recent roles as CFO and Company Secretary of two ASX listed IT & Telco organisations (GBST and IntraPower Limited). Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree, a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Meetings of Directors & Committees					
	Full Meeting of Directors		Audit and Risk Management		Remuneration	
	A	B	A	B	A	B
Brian Mitchell	16	16	*	*	*	*
Brendan O'Kane	16	16	*	*	*	*
Tanya Cox	16	16	3	3	5	5
Ian Lowles	16	16	3	3	5	5
Cristiano Nicolli	16	16	3^	3^	5^	5^

A Number of meetings held during the time the director held office or was a member of the committee during the year.

B Number of meetings attended as a director or committee member.

^ Cristiano Nicolli was appointed Chairman of the Remuneration Committee effective 1 January 2019 and Ian Lowles remains a member.

* Not a member of the relevant Board Committee.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for Non-executive Directors, Executive Director and other Key Management Personnel.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Directors and other Key Management Personnel disclosed in this report

The Key Management Personnel include those who have the authority and responsibility to plan, direct and control the major activities of the Group.

The Group's Directors and other Key Management Personnel (KMP)	
Brian Mitchell	Chair (Non-executive)
Brendan O'Kane	Managing Director and Chief Executive Officer (Executive)
Tanya Cox	Director (Independent Non-executive)
Ian Lowles	Director (Non-Executive)
Cristiano Nicolli	Director (Independent Non-executive)
Ashika Lala	Chief Financial Officer

B Remuneration governance

The Remuneration Committee's objectives for OtherLevels' remuneration framework are for the framework to be:

- competitive and reasonable, enabling the Group to attract and retain key talent in the jurisdictions in which it operates;
- aligned to the Group's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood, and
- acceptable to shareholders.

The objectives of the Group's remuneration policies are to ensure that remuneration packages of executive KMP reflect their duties, responsibilities and level of performance, as well as to ensure that all executive KMP are motivated to pursue the long-term growth and success of the Group.

Fundamental to all remuneration arrangements is that executive KMP must contribute to the achievement of short and long-term objectives, enhance shareholder value, avoid unnecessary or excessive risk taking and discourage behaviour that is contrary to the Group's values.

Details of the short and long-term incentive schemes are set out below in the "Executive Remuneration Policy and Framework" section of the Remuneration Report.

Securities Trading Policy

The trading of shares issued to eligible employees under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's Securities Trading Policy. The Directors and executive KMP must not use OtherLevels securities in connection with a margin loan or similar financing arrangement, nor are they permitted to engage in hedging activities, deal in derivatives or enter into other arrangements that limit the economic risk associated with OtherLevels securities.

C Executive remuneration policy and framework

The Board reviews the remuneration packages of executive KMP annually by reference to performance against individual objectives, the Group's consolidated results and market rate. The performance review of the Managing Director/Chief Executive Officer is undertaken by the Board.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

The Group aims to reward executive KMP with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

The executive KMP remuneration framework has three components:

- fixed base pay and benefits, including superannuation;
- short-term incentives (STI); and
- long-term incentives (LTI) through participation in the Employee Share Option Plan, which has been approved by the Board.

The combination of these components comprise the total remuneration package of executive KMP.

Base pay

Base pay may be delivered as a combination of cash and prescribed non-financial benefits at the discretion of the KMP. Executive KMP are offered a base pay that comprises cash salary, superannuation and non-monetary benefits. Base pay for executive KMP is reviewed annually. No change to the base pay of KMP was recommended by the Remuneration Committee during FY16, FY17, FY18 or FY19. The Remuneration Committee aims to position base pay at or below the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

Retirement benefits for KMP

There are no retirement benefits made available to KMP, other than as required by statute or by law.

Short-term incentives (STI)

To ensure that remuneration for executive KMP is aligned to the Group's performance, a significant component of each executive KMP's remuneration package is performance based and, therefore, "at risk".

Executive KMP have the opportunity to earn an annual STI award if pre-defined targets are achieved. STI opportunities for executive KMP vary depending on the role, responsibility and ability to influence the performance of the Group.

KPIs for executive KMP STI awards were:

KMP	STI Key Performance Indicators	
	2019	2018
Brendan O'Kane	<u>Financial KPIs:</u> Total Revenue Invoicing/Cash EBIT target <u>Operational KPIs:</u> Management/integration of acquisition	<u>Financial KPIs:</u> Total Revenue Invoicing/Cash EBIT target <u>Operational KPIs:</u> Corporate and Organisational Development

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

KMP	STI Key Performance Indicators	
Ian Lowles ¹	Financial KPIs: Total Sales Australia & New Zealand	Financial KPIs: Total Sales Australia & New Zealand
Ashika Lala	Financial KPIs: Total Revenue Invoicing/Cash EBIT target Operational KPIs: Contribution to the management team	Financial KPIs: Total Revenue Invoicing/Cash EBIT target Operational KPIs: Contribution to the management team

¹ Ian Lowles resigned from his executive role in December 2018

Details of performance based STI awards granted during the year are:

KMP	KPI	Target	Awarded ¹	Forfeited
2019:		\$	\$	\$
Brendan O'Kane	Financial	119,000	-	119,000
	Operational	51,000	51,000	-
Ian Lowles	Financial	75,000 ³	-	75,000
Ashika Lala	Financial	14,400 ²	-	14,400
	Operational	9,600 ²	9,600	-
2018:		\$	\$	\$
Brendan O'Kane	Financial	98,000	61,228	36,772
	Operational	42,000	39,200	2,800
Ian Lowles	Financial	53,836 ³	19,520	34,336
Ashika Lala	Financial	20,000	13,337	6,663
	Operational	5,000	5,000	-

¹ Amounts awarded in 2019 have been fully accrued at 30 June 2019.

² Ashika Lala's target of \$24,000 represents the pro-rata portion of her full year target of \$30,000.

³ Ian Lowles' target of \$75,000 in 2019 and \$53,836 in 2018 represents the pro-rata portion of his full year target of \$150,000.

Following a strategic review conducted in H2 FY19, management recommended, and the Board approved a plan to restructure the business. As part of that plan the CEO, executive team and Board agreed to the following remuneration reductions in FY20:

- the CEO's maximum potential STI will be reduced by 70% - from \$170,000 to \$50,000.
- the CFO's maximum potential STI will be reduced by 50% - from \$30,000 to \$15,000.
- the CTO's maximum potential STI will be reduced by 50% - from \$23,000 to \$11,500.

Performance hurdles for STI in FY20 will remain consistent with FY19.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

Long-term incentives (LTI)

OtherLevels' Long Term Incentive (LTI) framework has the objective of delivering long-term shareholder value, by incentivising and retaining key personnel, to achieve sustained financial performance. The Board has adopted this framework in recognition of the need to attract the best talent to OtherLevels in competition with larger more established companies and others in a similar stage of development.

OtherLevels' LTI framework is based on the Employee Share Option Plan (ESOP). All grants under the Plan are considered by the Remuneration Committee and if endorsed a formal resolution is presented to the Board for approval. The key criteria the Remuneration Committee applies to evaluate a proposed LTI award is detailed in the framework.

As at 30 June 2017, Brendan O'Kane was granted 1,200,000 options, which were approved by shareholders at the AGM on 22 November 2017. Vesting of these options was subject to achievement of specific KPIs. As these KPI's were not achieved at 30 June 2019, these options did not vest and have lapsed.

As at 30 June 2018 the Remuneration Committee approved a grant to Brendan O'Kane of 2,400,000 options, which were approved by shareholders at the AGM on 30 November 2018. Vesting of these options will also be subject to achievement of specific KPIs.

As at 30 June 2019 the Remuneration Committee approved a grant to Brendan O'Kane of 2,400,000 options, subject to shareholder approval at the company's AGM in November 2018. Vesting of these options will also be subject to achievement of specific KPIs.

During the year the Remuneration Committee approved a grant to Ashika Lala of 1,200,000 options, the vesting of which is in accordance with the Employee Share Option Plan.

Refer to note 27 for details of share-based payments.

D Relationship between remuneration and the Group's performance

The overall level of reward for executive KMP takes into account the performance of the Group over a number of years, with STI awarded based on current year performance and LTI earned in the event that the Group meets predetermined financial hurdles in future years.

In considering STI awards for executive KMP as at 30 June 2019, the Remuneration Committee had regard to target revenue, cash and EBIT objectives, and the following indices:

	30 June 2018	30 June 2019
OLV share price	\$0.035	\$0.009

E Non-executive Director remuneration policy

Non-executive Director's fees are determined within an aggregate Directors' fee pool limit. Non-executive Directors are also eligible to participate in the ESOP.

The maximum annual aggregate Directors' fee pool limit is \$400,000 per annum. Aggregate total Directors' fees are currently \$220,000 per annum.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

Fees earned are based on responsibilities and vary for the Board's Chair, for membership of a Board Committee and for the Chair of each Board Committee. Non-executive Directors' fees reflect the demands that are made on, and the responsibilities of Directors.

Further to the strategic review, conducted in H2 FY19 and noted above, the Board determined that director's fees would be reduced by 50% for the period 1 July to 31 December 2019, at which time the position would be further reviewed.

	2019	2018
Base fees		
Chair	\$60,000	\$60,000
Other Non-executive Directors	\$40,000	\$40,000
Committee fees		
Audit and Risk Management Committee Chair	\$10,000	\$10,000
Audit and Risk Management Committee Member	\$5,000	\$5,000
Remuneration Committee Chair	\$10,000	\$10,000
Remuneration Committee Member	\$5,000	\$5,000
Nomination Committee Chair/Member	NIL	NIL

For further information in relation to Directors' remuneration, see below.

Retirement allowance for Directors

There are no retirement allowances paid to Non-Executive Directors.

F Details of remuneration of Directors and Key Management Personnel

Amounts of remuneration

Non-executive Directors		Short-term benefits			Post-employment benefits super	Share-based payment Share options	Total
		Salary and fees	Cash bonus	Other			
		\$	\$	\$	\$	\$	\$
Brian Mitchell ¹	2019	60,000	-	-	-	-	60,000
	2018	60,000	-	-	-	-	60,000
Tanya Cox	2019	50,228	-	-	4,772	10,980	65,980
	2018	50,228	-	-	4,772	10,980	65,980
Ian Lowles ²	2019	47,945	-	-	4,555	-	52,500
	2018	50,228	-	-	4,772	-	55,000
Cristiano Nicolli ³	2019	45,662	-	-	4,338	-	50,000
	2018	20,548	-	-	1,952	-	22,500
TOTAL	2019	203,835	-	-	13,665	10,980	228,480
	2018	181,004	-	-	11,496	10,980	203,480

1 Directors' fees for Brian Mitchell include attendance and participation at Board Committees.

2 Ian Lowles' remuneration for his services as General Manager – Aust & NZ is included in the Other Key Management Personnel table below.

3 Cristiano Nicolli commenced 1 January 2018.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

Other Key Management Personnel		Short-term benefits			Post-employment benefits super	Share-based payment Share options	Total
		Salary and fees	Cash bonus ¹	Other			
		\$	\$	\$	\$	\$	\$
Brendan O’Kane	2019	179,048	51,000	-	17,010	22,056	269,114
	2018	179,048	100,428	-	18,010	30,760	328,246
Ian Lowles²	2019	82,192	-	-	7,808	-	90,000
	2018	60,064	19,520	-	5,706	-	85,290
Ashika Lala³	2019	160,731	9,600	-	15,270	32,866	218,467
	2018	135,546	18,337	-	12,877	15,842	182,602
TOTAL	2019	421,971	60,600	-	40,088	54,922	577,581
	2018	374,658	138,285	-	36,593	46,602	596,138

1 FY19 Cash bonus for Brendan O’Kane and Ashika Lala is accrued as at year end.

2 Ian Lowles’ remuneration relates to his services as General Manager – Aust & NZ (from 19 February to 31 December 2018).

3 Ashika Lala was appointed on 1 September 2017.

G Service agreements

Remuneration and other employment benefits for executive KMP are formalised in service agreements. All contracts with executive KMP may be terminated by either party with notice. Major provisions of the agreements relating to remuneration are set out below.

Brendan O’Kane MD/CEO	Annual base salary	\$200,000 inclusive of superannuation
	Performance bonus	Maximum STI opportunity for FY19 \$170,000, inclusive of superannuation.
	Options	2,409,337 substituted options issued in February 2015, with an effective issue date of 1 September 2012, 100% vested as at 30 June 2017.
		1,200,000 unlisted options were issued in November 2016 with vesting subject to achievement of specific performance hurdles, which were met in FY18.
		1,200,000 unlisted options were issued in November 2017, with vesting subject to achievement of specific performance hurdles in FY19. As these hurdles were not met, the options have lapsed.
		2,400,000 unlisted options were issued in November 2018 with vesting subject to achievement of specific performance hurdles in FY20.
		2,400,000 unlisted options were granted by the Board in June 2019 and are subject to approval by shareholders at the November 2019 AGM. Vesting is subject to achievement of specific performance hurdles in FY21.
	Termination	Six months’ notice by either party

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

Ashika Lala CFO (appointed 1 September 2017 on permanent part-time basis, 4 days per week)	Annual base salary	\$176,000 (pro rata)
	Performance bonus	\$24,000 (pro rata)
	Options	300,000 unlisted options were issued in May 17. 1,000,000 unlisted options were issued in August 17. 1,200,000 unlisted options were issued in April 18. 1,200,000 unlisted options were issued as at June 19. All options issued will vest in accordance with the ESOP (refer to note 27 for more detail).
	Termination	Eight weeks
Ian Lowles GM Australia and NZ (terminated 31 December 2018)	Annual base salary	\$180,000
	Performance bonus	\$150,000
	Options	Nil
	Termination	Four weeks

Andrew Ritter was the CFO and Company Secretary prior to Mrs Lala's appointment. Mr Ritter resigned as the CFO effective 31 August 2017 but continues as the Company Secretary. Mr Ritter provides services on a consulting and part-time basis, and accordingly the Board determined Mr Ritter did not meet the definition of KMP.

H Equity instruments held by key management personnel

Options

The number of options over ordinary shares in the Company held during the year by each Director of OtherLevels Holdings Limited and other KMP of the Group are set out below.

Non-executive Directors	Balance at start of year	Granted as compensation	Exercised	Other changes ¹	Balance at end of year	Vested and exercisable to date	Unvested
2019							
Brian Mitchell	4,292,101	-	(3,750,000)	-	542,101	542,101	-
Tanya Cox	542,101	-	-	-	542,101	496,926	45,175
Ian Lowles	542,101	-	-	-	542,101	542,101	-
2018							
Brian Mitchell	542,101	-	-	3,750,000	4,292,101	4,292,101	-
Tanya Cox	542,101	-	-	-	542,101	361,401	180,700
Ian Lowles	542,101	-	-	-	542,101	542,101	-

1 In FY2018, 3,750,000 options were granted as part of the syndicate facility funding.

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Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

Other Key Management Personnel	Balance at start of year	Grated as compensation	Exercised	Other changes ²	Balance at end of Year	Vested and exercisable to date	Unvested
2019							
Brendan O’Kane ¹	8,559,337	2,400,000	(3,750,000)	(1,200,000)	6,009,337	3,534,337	2,475,000
Ashika Lala	2,500,000	1,200,000	-	-	3,700,000	1,014,583	2,685,417
2018							
Brendan O’Kane ²	3,609,337	1,200,000	-	3,750,000	8,559,337	7,359,337	1,200,000
Ashika Lala	300,000	2,200,000	-	-	2,500,000	81,250	2,418,750

1 At the 2018 Annual General Meeting, 2,400,000 options were approved for Brendan O’Kane.

2 In FY2018, 3,750,000 options were granted as part of the syndicate facility funding.

Shareholdings

The number of shares in the Company held during the year by each director of OtherLevels Holdings Limited and other KMP of the Group, including their personally related parties, are set out below.

Non-executive Directors	Balance at start of the year	Received during the year on exercise of options	Other changes during the year (A)	Balance at end of the year
2019				
Brian Mitchell	18,256,384	3,750,000	-	22,006,384
Tanya Cox	344,578	-	-	344,578
Cristiano Nicolli ¹	300,000	-	-	300,000
2018				
Brian Mitchell	17,668,853	-	587,531	18,256,384
Tanya Cox	344,578	-	-	344,578
Cristiano Nicolli ¹	300,000	-	-	300,000

1 Cristiano Nicolli joined the OLV Board 1 January 2018.

Other Key Management Personnel	Balance at start of the year	Received during the year on exercise of options	Other changes during the year (A)	Balance at end of the year
2019				
Brendan O’Kane	31,146,196	3,750,000	-	34,896,196
Ian Lowles	12,582,407	-	-	12,582,407
2018				
Brendan O’Kane	31,056,196	-	90,000	31,146,196
Ian Lowles	12,582,407	-	-	12,582,407

(A) In FY2018, shares were purchased on-market in accordance with the Company’s Securities Trading Policy.

OtherLevels Holdings Limited ACN 603 987 266
Directors' Report (continued)

REMUNERATION REPORT – AUDITED (CONTINUED)

I Additional information

Loans to Directors and Executives

There were no loans to Directors or other KMP during the year.

Loans from Directors

During the year ended 30 June 2019, the Company obtained funding of \$1.85 million from Mr Brian Mitchell, Mr Brendan O’Kane and Mr Cris Nicolli, Directors of the Company. Refer to note 24.3 for further details.

End of the audited remuneration report

OtherLevels Holdings Limited ACN 603 987 266
Directors' Report (continued)

Shares under option

Please refer to note 27 share-based payments for details of all unissued ordinary shares of OtherLevels Holdings Limited under option as at the date of this report.

Insurance of officers

During the year the Group has paid insurance premiums of \$68,781 in respect of Directors' and Officers' liability and legal expenses' insurance, for current and former Directors and Officers, including senior executives of the Group and Directors, senior executives and secretaries of its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or Officers in their capacity as Directors or Officers of entities in the Group, and any other payments arising from liabilities incurred by the Directors or Officers in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the Directors or Officers or the improper use by the Directors or Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

Proceedings on behalf of the Group

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

No proceedings have been brought, or intervened in, on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditors

PKF Brisbane Audit are appointed auditors in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

No non-audit services were provided by the auditor or related entities during the 2019 financial year.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

OtherLevels Holdings Limited ACN 603 987 266
Directors' Report (continued)

This report is made in accordance with a resolution of the directors.



Brian Mitchell
Chairman



Brendan O'Kane
Managing Director

Brisbane

Dated this 22nd day of August 2019

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF OTHERLEVELS HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2019, there

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of OtherLevels Holdings Limited and the entities it controlled during the year.



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

22 AUGUST 2019
BRISBANE

OtherLevels Holdings Limited ACN 603 987 266
Consolidated Income Statement
For the year ended 30 June 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
Revenue – License		3,951,417	3,567,557
Revenue – Professional Services		637,722	1,256,062
Revenue – Managed Services		788,850	421,999
Revenue – Commissions and Government Grants		225,969	-
Total Revenue		5,603,958	5,245,618
Payroll expenses		(3,877,626)	(3,865,404)
Development costs		(1,376,357)	(965,396)
Occupancy expenses		(341,231)	(322,339)
Business expenses		(486,535)	(356,476)
Marketing expenses		(149,018)	(279,633)
Depreciation and amortisation	6	(1,717,401)	(1,370,612)
Other expenses	6	(1,087,371)	(570,446)
		(9,035,539)	(7,730,306)
Loss before interest & tax		(3,431,581)	(2,484,688)
Interest income	6	3,622	3,513
Interest expense	6	(459,410)	(330,605)
Net interest income / (expense)		(455,788)	(327,092)
Loss before income tax		(3,887,369)	(2,811,780)
Income tax benefit	7	500,505	1,071,168
Loss after tax from continuing operations		(3,386,864)	(1,740,612)
Loss for the year		(3,386,864)	(1,740,612)
Loss is attributable to:			
Equity holders of OtherLevels Holdings Limited		(3,386,864)	(1,740,612)
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings/(loss) per share	26(a)	(1.28)	(0.77)
Diluted earnings/(loss) per share	26(b)	(1.28)	(0.77)

The above consolidated income statement should be read in conjunction with the accompanying notes.

OtherLevels Holdings Limited ACN 603 987 266
Consolidated Statement of comprehensive income
For the year ended 30 June 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
Loss for the year		(3,386,864)	(1,740,612)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	21	133,798	(61,625)
Other comprehensive income for the year, net of income tax		133,798	(61,625)
Total comprehensive income for the year		(3,253,066)	(1,802,237)
Total comprehensive income for the year is attributable to:			
Equity holders of OtherLevels Holdings Limited		(3,253,066)	(1,802,237)
		(3,253,066)	(1,802,237)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

OtherLevels Holdings Limited ACN 603 987 266
Consolidated Balance sheet
As at 30 June 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	8	205,903	217,147
Trade and other receivables	9	658,681	469,542
R&D tax offset receivable	10	500,505	768,913
Other assets	11	251,290	191,283
Total current assets		1,616,379	1,646,885
Non-current assets			
Property, plant and equipment	12	30,928	28,330
Intangibles	14	5,462,570	3,264,692
Deferred tax assets	7	310,497	303,260
Total non-current assets		5,803,995	3,596,282
Total assets		7,420,374	5,243,167
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,808,530	1,318,882
Deferred revenue	17	1,925,777	2,165,905
Provisions	16	216,084	242,683
Loans and borrowings	18	1,124,846	58,398
Other current liabilities	19	379,190	-
Total current liabilities		5,454,427	3,785,868
Non-current liabilities			
Provisions	16	49,060	16,915
Loans and borrowings	18	3,880,883	2,815,708
Other non-current liabilities	19	654,326	-
Total non-current liabilities		4,584,269	2,832,623
Total liabilities		10,038,696	6,618,491
NET ASSETS / (LIABILITIES)		(2,618,322)	(1,375,324)
EQUITY			
Contributed equity	20	14,071,937	12,293,828
Reserves	21	8,396,480	8,071,625
Accumulated losses	21	(25,086,739)	(21,740,777)
TOTAL EQUITY		(2,618,322)	(1,375,324)

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

OtherLevels Holdings Limited ACN 603 987 266
Consolidated Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Notes	Attributable to owners of OtherLevels Holdings Limited			Total equity \$
		Contributed equity \$	Reserves \$	Accumulated losses \$	
Balance at 1 July 2017		12,293,828	7,984,645	(20,030,799)	247,674
Loss for the year		-	-	(1,740,612)	(1,740,612)
Other comprehensive income		-	(61,625)	-	(61,625)
Total comprehensive income for the year		-	(61,625)	(1,740,612)	(1,802,237)
Transactions with owners in their capacity as owners:					
Exercise/lapse of options	21	-	(30,634)	30,634	-
Employee share options – value of employee services	21	-	179,239	-	179,239
Balance at 30 June 2018		12,293,828	8,071,625	(21,740,777)	(1,375,324)
Loss for the year		-	-	(3,386,864)	(3,386,864)
Other comprehensive income		-	133,798	-	133,798
Total comprehensive income for the year		-	133,798	(3,386,864)	(3,253,066)
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	21	1,778,109	-	-	1,778,109
Exercise/lapse of options	21	-	(40,902)	40,902	-
Employee share options – value of employee services	21	-	231,959	-	231,959
Balance at 30 June 2019		14,071,937	8,396,480	(25,086,739)	(2,618,322)

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

OtherLevels Holdings Limited ACN 603 987 266
Consolidated Statement of cash flows
For the year ended 30 June 2019

		Consolidated	
		2019	2018
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		5,345,873	5,617,756
Payments to suppliers and employees (inclusive of goods and services tax)		(6,465,364)	(6,007,647)
		(1,119,491)	(389,891)
Interest received		3,622	3,672
Interest paid		(204,025)	(167,019)
R&D tax concession & other Govt Grants received		827,823	732,969
Net cash inflow/(outflow) from operating activities	29.1	(492,071)	179,731
Cash flows from investing activities			
Acquisition of subsidiaries		(1,025,507)	-
Payments for property, plant and equipment		(2,445)	(16,806)
Payments for software development costs		(1,938,222)	(1,859,783)
Net cash (outflow) from investing activities		(2,966,174)	(1,876,539)
Cash flows from financing activities			
Proceeds from issue of shares		1,735,300	-
Proceeds from borrowings		1,850,000	1,700,000
Repayment of borrowings			(100,000)
Transaction costs from issue of shares		(114,240)	-
Other transaction costs		(3,980)	(86,866)
Net cash inflows from financing activities		3,467,080	1,513,134
Net increase/(decrease) in cash and cash equivalents		8,835	(183,674)
Cash and cash equivalents at the beginning of the year/period		217,147	385,497
Effects of exchange rate changes on cash and cash equivalents		(20,079)	15,324
Cash and cash equivalents at the end of the year/period	8	205,903	217,147

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

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OtherLevels Holding Limited (the “Company”) is a company incorporated and domiciled in Australia. The Company was incorporated on 2 February 2015 and the address of its registered office is Level 11, Central Plaza II, 66 Eagle Street, Brisbane, QLD 4000.

The financial statements were authorised for issue on 22 August 2019 by the directors of the Company. These financial statements and notes represent those of OtherLevels Holdings Limited (“OLH”) and its subsidiaries (collectively, the “Group”). The separate financial statements of the parent entity, OtherLevels Holdings Limited, have not been presented with this financial report as permitted by the Corporations Act 2001.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

1.1 BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

(i) Compliance with International Financial Reporting Standards

The consolidated financial statements of the OtherLevels Holdings Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Newly adopted standards

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The Group has applied AASB 15 from 1 July 2018 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 Revenue and AASB 111 Construction Contracts. The Group has completed a review of contracts in line with AASB 15 and this did not result in a material change to the Group’s accounting policies or require retrospective adjustments.

See note 4 for detailed disclosures on reportable segments.

AASB 15 provides a single comprehensive model for revenue recognition. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred rather than on transfer of risks and rewards.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION (CONTINUED)

In the comparative period

Revenue was measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue were net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognised revenue when the amount of revenue could be reliably measured, it was probable that future economic benefits will flow to the Group and specific criteria had been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

AASB 9

Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial assets, revised recognition and derecognition requirements for financial assets and simplified requirements for hedge accounting.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at fair value through Other Comprehensive Income.

Expected credit losses are a probability-weighted estimate of the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group adopted a simplified approach for trade receivables from 1 July 2018. There was no impact as a result of adopting this standard.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting year and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION (CONTINUED)

- depreciation of right-to-use assets in line with AASB 116 Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

The Group will adopt this standard from 1 July 2019, which will result in the NPV of future lease payments being recognised as an asset and liability on the balance sheet and a depreciation charge and interest expense being recognised in profit and loss. Although the impact of this standard on adoption will be material, it is not possible to determine the actual impact as the Brisbane office lease expired on 30 June 2019 and negotiations on the new lease are yet to be finalised. Refer to note 23 for additional details.

(iv) Historical cost convention

Except for cash flow information, these financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(v) Critical accounting estimates

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

1.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OtherLevels Holdings Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended. OtherLevels Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities over which the Group has control. The parent controls an entity when it 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. A list of the subsidiaries is provided in note 25.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are de-consolidated from the date that control ceases.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 PRINCIPLES OF CONSOLIDATION (CONTINUED)

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

There are currently no non-controlling interests in the Group.

1.3 FOREIGN CURRENCY TRANSLATIONS AND BALANCES

(i) Functional and presentation currency

Items included in the 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 financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are attributable to part of the net investment in a foreign operation.

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.

(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 Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting year;
- income and expenses are translated at average exchange rates for the year (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);
- retained earnings are translated at the exchange rates prevailing at the date of the transaction, 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 are recognised in other comprehensive income and included in the foreign currency translation reserve in the balance sheet. The cumulative amount of these differences will be reclassified into profit or loss in the year in which the operation is disposed.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's risk-free rate adjusted for inflation.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1.5 REVENUE RECOGNITION

The Group recognises revenue as follows:

- (i) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Company sells its licenced software under a non-exclusive, non-transferrable licence contract with associated services, or as part of a SaaS solution which allows customers access to licensed software for a defined period, along with associated services. The Group may enter into transactions involving a range of the Group's services, for example a licence fee for the use of the OtherLevels platform and professional services for implementation.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 REVENUE RECOGNITION (CONTINUED)

Contract amounts, including any discounts, are agreed at contract inception and prior to the execution of any arrangement and amounts received upfront, in part payments or in arrears are not refundable.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers. Payments are generally received upfront and the Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred revenue in the statement of financial position.

In the case of some monthly obligations, in particular where the transaction price is dependent on the usage of message bundles, the transaction price can only be determined at the end of the month. As the services have been delivered, the revenue is recorded as accrued income.

In limited circumstances where a project spans several months, whilst the transaction price is agreed and determined upfront, the payment may be in part payments in arrears. In such cases, the group will review the agreement and if a “contract asset” exists a work in progress balance will be recorded. As at 30 June 2019, the Group did not have any contract assets.

Revenue is recognised for the major business services as follows:

(a) Licence Revenue

Licence fee revenue comprises amounts charged for the use of the Group’s software platform or for the sub-licence of third-party software for an agreed period of time to send a specified quantity of message transactions.

OtherLevels licensing revenue includes the grant of a licence for message bundles, modules fees and standard support services. While basic standard support is included with every licence, module fees are additional add-ons to complement the OtherLevels platform.

Licensing Revenue is recognised as it is used by the customer subject to the term of the contract. Revenue will be recognised evenly until the client exhausts their message bundle, or it expires. In the former case unrecognised revenue will be recognised at this time.

As the platform is continually being developed and any updates/changes/bug fixes are rolled out to customers as changes are made throughout the licence period under AASB 15 the licence fee is recognised over a period of time being the licence period.

(b) Professional Services Revenue

OtherLevels performs supplementary and value-added services for customers including specialised technical/marketing services, initial setup/integration services, training, report customisation and premium support. Generally, these activities are charged to customers based on the number of man days expected to complete the project multiplied by a daily charge-out rate for these services.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 REVENUE RECOGNITION (CONTINUED)

In accordance with AASB 15, professional services revenue is recognised as the services are rendered by measuring the progress towards satisfaction of the performance obligation. OtherLevels uses time-tracking tools to determine the percentage of completion and applies this to the total transaction price in order to account for revenue in relation to these services.

(c) Managed Services Revenue:

Managed services are repeatable professional services provided to customers month-to-month based on agreed deliverables.

It is considered that the customer simultaneously receives and consumes the benefit provided by Otherlevels with these services each month as they are performed. Therefore, under AASB15 revenue is recognised evenly over the term of the agreement.

(d) Performance obligations unsatisfied as at 30 June 2019

The following table shows the amount of the transaction price allocated to performance obligations that are unsatisfied at the reporting date, for each of the major business services, discussed in more detail above:

	30 June 2019	30 June 2018*
Licences	127,784	-
Managed Services	6,429	-
Professional Services	-	-
	134,213	-

Management expects that 96% of the transaction price allocated to the unsatisfied contracts as at 30 June 2019 will be recognised as revenue during the next reporting period (\$129,158). The remaining \$5,055 will be recognised in the 2021 financial year.

The Group applies the practical expedient in AASB 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

*As permitted under the transitional provisions in AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 30 June 2018 is not disclosed.

(ii) Interest

Interest income is recognised using the effective interest method.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the event the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the (undiscounted) amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The Company and other controlled entities make statutory contributions to superannuation funds in accordance with the directions of its employees. Contributions are expensed in the period to which they relate.

(iv) Termination benefits

Termination benefits are payable when employment is terminated, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.8 GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1.9 FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 FINANCIAL INSTRUMENTS

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

(ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised. This category generally applies to trade and other receivables. For more information on receivables, refer to note 9.

(b) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment of financial assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 FINANCIAL INSTRUMENTS (CONTINUED)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

1.11 GOING CONCERN

Notwithstanding that the Group incurred an operating loss after tax of \$3,386,864 for the financial year ended 30 June 2019 (FY18 \$1,740,612) and at 30 June 2019 had a net current asset deficiency of \$3,838,048 (FY18 \$2,138,982), the financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Current liabilities as at 30 June 2019 includes \$1,925,777 of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

The ability of the Group to continue as a going concern is dependent upon one or more of the following:

- Achieving sufficient future cash flows from operations to enable its obligations to be met;
- Achieving profitability, and
- Obtaining additional funding from capital raising activities.

The Chairman Brian Mitchell and Brendan O’Kane provided additional short-term funding in August 2019 reflecting the continued increasing confidence in the progress of OtherLevels – please refer to note 24.3 for further details.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 GOING CONCERN (CONTINUED)

At the date of this report and having considered the above factors, the directors are confident the Group will be able to continue as a going concern.

Notwithstanding this, given the past losses and other matters described above there is material uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful life of intangibles

The Group's management determines the estimated useful lives and related amortisation charges for intangible assets at the time of acquisition. As described in note 1.6 useful lives are reviewed regularly throughout the year for appropriateness.

(ii) Revenue from contracts with customers

When recognising revenue in relation to the sale of services to customers, the key performance obligation of the group is considered to be the delivery of the services to the customer, as this is deemed to be the time that the customer obtains control of the promised services and therefore the benefits of unimpeded access.

When recognising revenue in relation to the sale of licences, the key performance obligation is considered to be the provision of customer access to the OtherLevels platform. OtherLevels continues to be involved in maintaining and significantly improving the underlying platform over the term of the licence agreement, which gets rolled out to existing customers during their licence period. Therefore, the license for the use of the Otherlevels platform is considered to be a right to access the company's software as it exists throughout the licence period and revenue is recognised over the licence period which best depicts the pattern of the transfer of the services to the customer.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Valuation of deferred consideration payable

As the value of deferred consideration payable for business combinations is dependent upon the acquired business achieving set targets in future years, management is required to make judgements that affect the reported amounts in the financial statements. Management has used their best judgement in determining the fair value of the reported liabilities, including estimating the likelihood of achieving the targets set and in turn the likelihood of having to make the future payments.

(iv) Valuation of identifiable intangible assets

Identifiable intangible assets acquired in a business combination are required to be measured at fair value as at the date of acquisition. The fair value is to be determined using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The three mainly used valuation techniques are the market approach, the cost approach and the income approach.

Management has used their best judgement in determining the fair value of the identifiable intangible assets.

(v) Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

2.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made the following judgements, which may have a significant effect on the amounts recognised in the consolidated financial statements:

(i) Capitalised development costs

Distinguishing the research and development phases of a new customised product and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(ii) Indicators of impairment of assets

The Group follows the guidance of AASB 136 Impairment of Assets each year to determine whether any indicators of impairment exist (ie. whether assets are carried at amounts in excess of their recoverable value). Recoverable amount of an asset or cash generating unit (CGU) is defined as the higher of its fair value less costs to sell or its value in use. This determination requires significant judgement.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (CONTINUED)

(iii) Recognition of deferred tax assets

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and aging analysis for credit risk.

The Group holds the following financial instruments:

	2019 \$	2018 \$
Financial assets		
Cash and cash equivalents	205,903	217,147
Trade and other receivables	658,681	469,542
Other assets	251,290	191,283
	1,115,874	877,972
Trade and other payables	1,808,530	975,354
Loans and borrowings	5,005,729	2,874,106
	6,814,259	3,849,460

3.1 FOREIGN CURRENCY RISK

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US Dollar and British Pound.

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Sensitivity

At 30 June 2019, had the Australian Dollar weakened/strengthened by 5% against the US Dollar with all other variables held constant, the impact on profit and equity for the year would have been \$4,862. At 30 June 2019, had the Australian Dollar weakened/strengthened by 5% against the British Pound with all other variables held constant, the impact on profit and equity for the year would have been \$12,993.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 CREDIT RISK

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed by assessing the credit quality of counterparties taking into account their financial position, past experience and other factors. Generally, the Group only transacts with entities with a high credit quality and income is generally paid in advance of services being provided. The Group's customers are principally focused on the mobile wagering and membership and loyalty industries. For the financial year ended 30 June 2019, the top five customers (by invoicing) represents 52% of total revenue. Refer to note 9 for more details regarding receivables.

3.3 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when they fall due.

Liquidity risk is managed by rolling cash forecasts.

Maturities of financial liabilities

The tables below present the Group's non-derivate financial liabilities in maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. This is with the exception of Loans and borrowings where the difference is due to borrowing costs which have been offset against Loans and borrowings in the accounts.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2019							
Trade and other payables	1,493,273	-	-	-	-	1,493,273	1,493,273
Loans and borrowings	73,135	1,060,692	3,886,004	-	-	5,019,831	5,005,729
At 30 June 2018							
Trade and other payables	975,354	-	-	-	-	975,354	975,354
Loans and borrowings	59,032	8,343	2,846,613	-	-	2,913,988	2,874,106

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

4 SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Board considers that the business has one reportable segment, being the provision of digital marketing services.

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and AASB 8 Operating Segments. The amounts provided to the Board of Directors with respect to revenue from external customers, total assets and total liabilities are measured in a manner consistent with that of the financial statements.

Revenue generated by the Group is categorised into the following service offering:

- *Licence fees – sales of licence fees for message bundles, module fees and standard support to customers.*
- *Managed Services – repeatable services provided to customers month-to-month based on agreed deliverables.*
- *Professional Services – provision of specialised technical and marketing services, initial setup and integration services.*
- *Other Revenue – includes commissions and Government Grants.*

Revenue by geographical region	30 June 2019	30 June 2018
Australia	1,926,343	898,639
United States	1,207,723	905,055
United Kingdom	2,469,892	3,441,924
Total Revenue	5,603,958	5,245,618

Revenue by service offering	30 June 2019	30 June 2018
Contracts with customers		
Licences	3,951,417	3,573,482
Managed Services	788,850	421,999
Professional Services	637,722	1,246,911
Total revenue from contracts with customers	5,377,989	5,242,392
Other Revenue	225,969	-
Total Revenue	5,603,958	5,242,392

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

4 SEGMENT INFORMATION (CONTINUED)

Timing of revenue recognition **30 June 2019** **30 June 2018**

Products and services transferred to customers:

At a point in time

-

-

Over time

5,377,989

5,245,618

5,377,989

5,245,618

4.1 MAJOR CUSTOMERS

For the year ended 30 June 2019, there were 3 (FY18: 4) customers who each accounted for 10% or more of the Group's external revenue.

5 BUSINESS COMBINATIONS

5.1 SUMMARY OF ACQUISITIONS

On 1 November 2018, OtherLevels expanded with the acquisition of XCOM Media Pty Ltd (business assets), a Brisbane based digital marketing automation agency.

XCOM has deep expertise in email, social and mobile message services. XCOM also has a strong presence and track record in the travel and hospitality sector, a key growth sector for OtherLevels.

This acquisition provides OtherLevels with immediate mid-market access and aligns with the strategy to consolidate comparable agencies. It also creates significant cross-marketing opportunities by providing a cost-effective new distribution channel for OtherLevels messaging platform and services.

Initial consideration of \$789,440 cash and \$156,960 in fully paid ordinary shares was paid on acquisition. A further \$100,000 of deferred consideration was paid on 13 December 2018. Additional earnout payments may be paid based on the business achieving set targets. Further information on contingent consideration is outlined in note 13.1 below.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Summary of Acquired Net Assets	Note	Fair Value
		\$
Property, plant and equipment		14,835
Work in progress		1,000
Prepayments		1,037
Customer contract		234,271
Software		288,750
Provisions		(69,970)
Trade and other payables		(1,580)
Fair value of net assets acquired		468,343

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

5 BUSINESS COMBINATIONS (CONTINUED)

5.1 SUMMARY OF ACQUISITIONS (CONTINUED)

Purchase Consideration

Initial cash paid		789,440
Consideration adjustments		(79,577)
Ordinary shares issued		156,960
Deferred consideration paid		100,000
Contingent consideration	13.1	1,033,517
		2,000,340

Goodwill

1,531,997

The goodwill is attributable to the expected continued growth of the customer base and cross selling opportunities to clients. It will not be deductible for tax purposes.

5.2 REVENUE AND PROFIT CONTRIBUTION

Revenue of XCOM included in the Group revenue since the acquisition date 1 November 2018 was \$945,288. XCOM operating profit included in the Group's results for the period was \$155,905.

During the year ended 30 June 2019 the Company incurred \$205,049 of transaction costs that related to the acquisition of XCOM. These acquisition related costs have been recognised in the profit and loss (other expenses) and \$201,854 of these costs that were paid during the period have been included in cashflows from investing activities (payments to acquire new business) in the statement of cashflows.

6 EXPENSES

	Consolidated	
	2019	2018
	\$	\$
Loss from continuing operations includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation - Plant and equipment	16,904	21,037
Amortisation - Software development costs	1,669,261	1,349,575
Amortisation – Customer Contracts	31,236	
	1,717,401	1,370,612
<i>Interest income / (expense)</i>		
Interest income	3,622	3,513
Interest expense	(459,410)	(330,605)
	(455,788)	(327,092)

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

6 EXPENSES (CONTINUED)

Rental expenses relating to operating leases

Minimum lease payments	432,586	296,366
	432,586	296,366

Other expenses

Finance and professional services	767,013	446,527
Insurance	99,068	92,262
Borrowing costs	26,902	19,634
Foreign currency gains/losses	194,388	12,023
	1,087,371	570,446

7 INCOME TAX EXPENSE

The income tax expense or revenue for the year is the tax payable or receivable on the current year'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/benefit 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's subsidiaries 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.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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 for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is 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.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits.

	Consolidated	
	2019	2018
	\$	\$
(a) Income tax expense		
Loss from continuing operations before income tax benefit	3,887,369	2,811,780
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	1,069,026	773,240
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:	(32,017)	(67,403)
Income tax benefit	1,037,009	705,837

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

7 INCOME TAX EXPENSE (CONTINUED)

Adjusted for:

R&D tax concession claim	500,505	768,913
Deferred tax assets not brought to account	(1,054,554)	(737,287)
Difference in overseas tax rates	17,545	30,446
Tax losses booked	-	303,260
Income tax benefit	500,505	1,071,168

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

Tax Losses	310,497	303,260
	310,497	303,260

(c) Deferred tax assets not taken to account

Tax losses	6,545,892	5,758,356
Timing differences	691,909	619,266
	7,237,801	6,377,622

Both the UK and US arms of the Group returned a taxable profit this year and are expected to continue to be tax profitable into the future. As a result, the Group has recognised a deferred tax asset in relation to the carry forward of unused tax losses to the extent it believes that there will be sufficient taxable profit available against which the unused tax losses can be utilised. As at 30 June 2019, the Group still has unrecognised tax losses of \$6,545,892.

8 CASH AND CASH EQUIVALENTS

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

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	205,903	217,147
Balance per consolidated statement of cash flows	205,903	217,147

8.1 RISK EXPOSURE

The Group's exposure to interest rate risk is discussed in note 3. 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.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

9 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days and are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. The consolidated entity does not expect any credit losses.

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

	Consolidated	
	2019	2018
	\$	\$
Net trade receivables		
Trade receivables	658,681	469,542
Provision for impairment of receivables	-	-
	658,681	469,542

9.1 IMPAIRED TRADE RECEIVABLES

As at 30 June 2019, there was no impaired trade receivable (2018: \$Nil).

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

9.2 PAST DUE BUT NOT IMPAIRED

As at 30 June 2019, there were no trade receivables that were past due but not impaired (2018: \$0).

9.3 OTHER RECEIVABLES

Other receivables are recognised at amortised cost, less any allowance for expected credit losses. These amounts relate to accrued revenue, rental bonds and other assets.

9.4 FAIR VALUE

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

9.5 RISK EXPOSURE

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 3 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables. Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is also provided in note 3.

9.6 RECEIVABLES RELATED TO CONTRACTS WITH CUSTOMERS

The group has recognised the following receivables related to contracts with customers:

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	658,178	469,542
Provision for impairment of receivables	-	-
	658,178	469,542

10 R&D TAX OFFSET RECEIVABLE

	Consolidated	
	2019	2018
	\$	\$
R&D tax offset receivable	500,505	768,913

OtherLevels Pty Ltd, a wholly owned subsidiary, has lodged an R&D application for the tax year 2018/19, which would result in the above cash refund. Given the nature of the R&D activities and the history of claims, the Group has recognised a receivable at 30 June 2019.

11 OTHER ASSETS

Current

	Consolidated	
	2019	2018
	\$	\$
Prepaid expenses	110,138	73,396
Term deposit cash backing Bank Guarantees	83,996	83,950
Deposits	31,555	32,163
Other assets	25,601	1,775
	251,290	191,283

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12 PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when the asset is replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.9).

The depreciation methods and periods used by the Group are:

<i>Class of fixed asset</i>	<i>Method</i>	<i>Period</i>
Computer equipment	Straight line	3 years
Furniture and equipment	Straight line	3 years

	Consolidated	
	2019	2018
	\$	\$
Plant and Equipment		
Computer equipment:		
At cost	239,790	94,137
Accumulated depreciation	(219,069)	(68,245)
Foreign currency translation	-	792
	20,721	26,684
Furniture and Equipment:		
At cost	41,442	15,804
Accumulated amortisation	(31,236)	(14,158)
	10,207	1,646
Total plant and equipment	30,928	28,330

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Computer Equipment	Furniture and Equipment	Total
Consolidated Group:	\$	\$	\$
Balance at 30 June 2017	31,646	2,154	33,800
Net Additions / (Disposals)	14,775	-	14,775
Depreciation expense	(20,529)	(508)	(21,037)
Foreign currency translation	792	-	792
Balance at 30 June 2018	26,684	1,646	28,330
Net Additions / (Disposals)	(2,690)	10,138	7,448
Depreciation expense	(15,328)	(1,576)	(16,904)
Foreign currency translation	12,054	-	12,054
Balance at 30 June 2019	20,720	10,208	30,928

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

13.1 CONTINGENT CONSIDERATION

Contingent consideration is recognised in relation to the acquisition of XCOM Media (see note 5.1 for further details). The Company has determined that this contingent consideration is classified as Level 3 under the AASB 13 Fair Value measurement hierarchy as the main valuation inputs are unobservable.

The financial liability related to the earn out for XCOM Media has been recorded as contingent consideration (\$379,191 as current with the remaining \$654,326 as non-current). The fair value of the contingent consideration liability was determined by discounting the estimated consideration payable under the contract based on the observable performance of the acquired business over the earn-out period. The maximum contingent consideration payable is \$1,953,600, leaving a contingent liability of \$920,083 subject to the performance of XCOM over the next two years.

	Note	Contingent Consideration \$
Opening balance at 1 July 2018		-
New business combinations	5.1	1,033,517
Closing balance at 31 December 2018		1,033,517
Current contingent consideration		379,191
Non-current contingent consideration		654,326
Total contingent consideration		1,033,517

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14 INTANGIBLE ASSETS

Costs incurred in developing products and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 4 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

	Consolidated	
	2019	2018
	\$	\$
Customer contracts - at cost	234,271	-
Less: Accumulated amortisation	(31,236)	-
	203,035	-
Software - at cost	5,396,799	4,614,267
Less: Accumulated amortisation	(1,669,261)	(1,349,575)
	3,727,538	3,264,692
Goodwill	1,531,997	-
Less: Impairment	-	-
	1,531,997	-
	5,462,570	3,264,692

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated			
	Customer Contracts	Software	Goodwill	Total
	\$	\$	\$	\$
Balance at 1 July 2017	-	2,965,909	-	2,965,909
Additions	-	1,648,358	-	1,648,358
Amortisation	-	(1,349,575)	-	(1,349,575)
Balance at 30 June 2018	-	3,264,692	-	3,264,692
Additions	-	1,843,357	-	1,843,357
Acquisitions (note 5.1)	234,271	288,750	1,531,997	2,055,018
Amortisation	(31,236)	(1,669,261)	-	(1,700,497)
Balance at 30 June 2019	203,035	3,727,538	1,490,744	5,462,570

The software has been recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over a four-year period from date of acquisition.

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14 INTANGIBLE ASSETS (CONTINUED)

Customer relationships have been recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over 5 years.

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on 3-year projections by management and extrapolated for a further 2 years using estimated growth rates, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cashflow model:

- (i) Pre-tax discount rate of 18%;
- (ii) Projected per annum growth rate range of 15% – 20%; and
- (iii) Increase in operating costs and overheads per annum range of 3% – 4%.

The discount rate of 18% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected 15% – 20% growth rate used in the discounted cash flow model is achievable taking into consideration external factors such as market sector and geography.

Management has performed sensitivity analysis and there are no reasonably possible changes in key assumptions that would cause the carrying value to exceed its recoverable amount in the current period.

No impairment has been recognised in respect of goodwill at the end of the reporting period.

15 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

	Consolidated	
	2019	2018
	\$	\$
Trade payables	732,520	565,576
BAS/VAT payable	315,257	343,528
Accrued expenses	760,753	409,778
	1,808,530	1,318,882

15.1 FAIR VALUE

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

15.2 RISK EXPOSURE

Information about the Group's exposure to foreign exchange risk is provided in note 3.

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16 PROVISIONS

	Consolidated	
	2019	2018
	\$	\$
Current		
Employee benefits – Annual Leave	216,084	242,683
Non-current		
Employee benefits - Long Service Leave	49,060	16,915

The entire amount of the annual leave provision of \$216,084 (2018: \$242,683) is presented as current, as the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The value of leave that is not expected to be taken or paid within the next 12 months is \$54,021 (2018: \$60,671).

Superannuation plans

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Where there is a legal requirement the Company contributes the appropriate statutory percentage of employees' salaries and wages.

17 DEFERRED REVENUE

Deferred revenue comprises mainly unearned revenue from licencing programs being customer billings for multi-year licencing arrangements paid for either at the inception of the agreement or annually at the beginning of each billing period. Deferred revenue also includes payments for services to be performed in the future.

Current liabilities as at 30 June 2019 include \$1,925,777 (2018: \$2,165,905) of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

17.1 REVENUE RECOGNISED IN RELATION TO DEFERRED REVENUE

	Consolidated	
	2019	2018
	\$	\$
<i>Revenue recognised that was included in the deferred revenue balance at the beginning of the period</i>	1,449,935	1,300,650

17.2 SIGNIFICANT CHANGES IN DEFERRED REVENUE

There were no significant changes in the deferred revenue balances during the 2019 year.

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18 LOANS AND BORROWINGS

	Consolidated	
	2019	2018
	\$	\$
Current		
Loans – Premium funding	74,846	58,398
Syndicate Loan facility - Other ^{1,3}	1,050,000	-
	1,124,846	58,398
Non-current		
Syndicate Loan facility - Other ^{1,3}	-	1,050,000
Loans – Shareholder	308,981	308,977
Syndicate Loan facility - Directors ^{1,2}	2,104,435	1,496,613
Convertible Note ⁴	1,013,570	-
Loan facility - Directors ⁵	468,000	-
Capitalised transaction costs ⁶	(14,103)	(39,882)
	3,880,883	2,815,708

¹ As announced to the market on 4 July 2017, this represents monies advanced by a syndicate of sophisticated and professional investors including Directors.

² The Directors loans accrue interest at a weighted average interest rate of 13.5%. Refer to note 24.3 or further details.

³ Other Investor's loans accrue interest at 16% per annum.

⁴ The Chairman and Managing Director have fully underwritten a Convertible note facility of \$1.0m with the option to convert to shares being subject to shareholder approval. Refer to note 24.3 for further details.

⁵ The Chairman, Managing Director and Non-Executive Director entered into a facility for \$500,000 to provide additional funding. Refer to note 24.3 for further details.

⁶ Incidental costs directly attributable to the acquisition of the syndicated loan facility are being amortised over the term of the facility.

19 OTHER LIABILITIES

	Consolidated	
	2019	2018
	\$	\$
Current		
Contingent Consideration	379,190	-
	397,190	-
Non-current		
Contingent Consideration	654,326	-
	654,326	-

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20 CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

20.1 SHARE CAPITAL

	Company 2019 Shares	Company 2019 \$	Company 2018 Shares	Company 2018 \$
Ordinary shares Fully paid	286,841,400	14,071,937	224,661,600	12,293,828
Total contributed equity		14,071,937		12,293,828

20.2 MOVEMENTS IN ORDINARY SHARE CAPITAL

Issues of ordinary shares during the year/period:

Date	Details	Number of shares	\$
1 July 2017	Opening balance	224,661,600	12,293,828
	Shares issued	-	-
	Transaction costs arising on share issue	-	-
30 June 2018	Closing balance	224,661,600	12,293,828
1 July 2018	Opening balance	224,661,600	12,293,828
27-Jul-18	Exercise of options - proceeds received	1,275,000	10,312
26-Oct-18	Share placement	47,833,333	1,435,000
02-Nov-18	Consideration for acquisition of XCOM	5,571,467	156,960
17-Jan-19	Exercise of options - proceeds received	7,500,000	300,000
	Transaction costs arising on share issue	-	(124,163)
30 June 2019	Closing balance	286,841,400	14,071,937

20.3 ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of 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.

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20 CONTRIBUTED EQUITY (CONTINUED)

20.4 OPTIONS

Information relating to options provided under the OtherLevels Employee Share Option Plan, including details of options issued, exercised and lapsed during the year and options outstanding at the end of the year, is set out in note 27.

20.5 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure.

21 RESERVES AND RETAINED EARNINGS

21.1 RESERVES

	Consolidated	
	2019	2018
	\$	\$
Common control reserve	6,752,704	6,752,704
Foreign currency translation reserve	1,157,796	1,023,998
Share-based payments reserve	485,980	294,923
	8,396,480	8,071,625
Movements		
<i>Common control reserve</i>		
Opening Balance	6,752,704	6,752,704
Capital reorganisation of Group	-	-
Balance at 30 June	6,752,704	6,752,704
<i>Foreign currency translation reserve</i>		
Opening Balance	1,023,998	1,085,623
Currency translation differences arising during the year/period	133,798	(61,625)
Balance at 30 June	1,157,796	1,023,998
<i>Share-based payments reserve</i>		
Opening Balance	294,923	146,318
Share-based payment expenses	231,959	179,239
Transfer to retained earnings on lapse of options	(40,902)	(30,634)
Balance at 30 June	485,980	294,923

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21 RESERVES AND RETAINED EARNINGS (CONTINUED)

21.2 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

Opening Balance	(21,740,777)	(20,030,799)
Net loss for the year/period	(3,386,864)	(1,740,612)
Exercise/lapse of options	40,902	30,634
Balance at 30 June	(25,086,739)	(21,740,777)

21.3 NATURE AND PURPOSE OF RESERVES

(i) *Foreign currency translation reserve*

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income as described in note 1.3 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) *Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

(iii) *Common control reserve*

This reserve is used to record the difference between the recognised equity of the parent entity and the net assets of the acquired controlled entities.

22 REMUNERATION OF AUDITORS

During the year/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:

	Consolidated	
	2019	2018
	\$	\$
PKF Brisbane Audit		
Audit and other assurance services		
Audit and review of financial statements	61,647	74,736
Total auditors' remuneration	61,647	74,736

23 COMMITMENTS

23.1 NON-CANCELLABLE OPERATING 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.

The Group leases its offices under non-cancellable operating leases expiring at various times during the next year. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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23 COMMITMENTS (CONTINUED)

The lease expired for the Brisbane office premises on 30 June 2019. The company has entered into a non-binding leasing proposal for a three year renewal term and is currently negotiating the formal lease documentation.

23.1 NON-CANCELLABLE OPERATING LEASES (CONTINUED)

	Consolidated	
	2019	2018
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	72,267	184,400
Later than one year but not later than five years	-	-
Later than five years	-	-
	72,267	184,000

24 RELATED PARTY TRANSACTIONS

24.1 GROUP COMPANIES

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in note 25.

24.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2019	2018
	\$	\$
Short-term employment benefits	482,571	512,943
Post-employment benefits	40,088	36,593
	522,659	594,536

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 16.

24.3 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OR ENTITIES RELATED TO THEM

During the financial year ended 30 June 2019, Mr Brian Mitchell and Mr Brendan O’Kane, directors of the Company, agreed to extend their funding facility limit by an additional \$400,000. These loans are part of the total syndicate loan facility of \$2,750,000 and are on an arm’s length basis with a weighted average interest rate of 14.3%. The principal outstanding as at 30 June 2019 was \$1,700,000 and accrued interest and charges amount to \$388,432.

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24 RELATED PARTY TRANSACTIONS (CONTINUED)

24.3 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OR ENTITIES RELATED TO THEM (CONTINUED)

On 5 February 2019, Mr Brian Mitchell, Mr Brendan O’Kane and Mr Cristiano Nicolli entered into a facility for \$500,000 with an interest rate of 12%. The principal outstanding as at 30 June was \$450,000 and accrued interest of \$18,000.

On 6 May 2019, Mr Brian Mitchell and Mr Brendan O’Kane entered into a convertible note facility for \$1,000,000. The notes are issued at a face value of \$0.03 per note with an interest rate of 12%. The option to convert is subject to shareholder approval at the AGM.

Ian Lowles short term appointment as General Manager – Australia & NZ on 19 February 2018 ceased on 31 December 2018. Details of remuneration paid to Mr Lowles for this role are provided in the remuneration report on pages 8 to 16.

24.4 TRANSACTIONS WITH OTHER RELATED PARTIES

There was no other related party transactions in 2019. (2018: \$2,085).

25 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.2:

	Consolidated	
	2019	2018
	%	%
Parent company:		
OtherLevels Holdings Limited		
Controlled entities – incorporated in Australia		
OtherLevels Pty Limited	100	100
XCOM Media Pty Ltd	100	-
Controlled entities – incorporated in the United States of America		
OtherLevels Inc.	100	100
Controlled entities – incorporated in the United Kingdom		
OtherLevels Limited	100	100

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26 EARNINGS/(LOSS) PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit 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 year, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated	
	2019	2018
	Cents	Cents
(a) Basic earnings/(loss) per share		
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(1.28)	(0.77)
(b) Diluted earnings/(loss) per share		
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(1.28)	(0.77)
(c) Reconciliations of earnings/(loss) used in calculating earnings per share		
	Consolidated	
	2019	2018
	\$	\$
<i>Basic earnings/(loss) per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share	(3,386,864)	(1,740,612)
<i>Diluted earnings/(loss) per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings/(loss) per share	(3,386,864)	(1,740,612)

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26 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2019	2018
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share and diluted earnings/(loss) per share</i>	265,415,340	224,661,600

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the Company's Employee Share Option Plan are considered to be potential ordinary shares and will be included in the determination of diluted earnings per share to the extent to which they are dilutive. Options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

27 SHARE-BASED PAYMENTS

27.1 EMPLOYEE SHARE OPTION PLAN

Share-based compensation benefits are provided to employees via the OtherLevels Employee Share Option Plan (ESOP). Under the plan, participants are granted options which vest as follows:

- 25% of the options issued to a holder will vest 1 year from the vesting start date; and
- after 1 year, options will vest on a proportionate monthly basis for the remaining 3 years.

Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.

The fair value of options granted under the ESOP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or shares.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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27 SHARE-BASED PAYMENTS (CONTINUED)

27.1 EMPLOYEE SHARE OPTION PLAN (CONTINUED)

The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Set out below are summaries of options granted under the plan:

	Average exercise price per share option	Number of options
2018		
As at 1 July 2017	\$0.07	10,736,807
Granted during the year	\$0.05	10,525,000
Lapsed during the year	\$0.08	(2,490,400)
As at 30 June 2018	\$0.06	18,771,407
Vested and exercisable at 30 June 2018	\$0.05	9,019,203
2019		
As at 1 July 2018	\$0.06	18,771,407
Granted during the year	\$0.03	18,200,000
Lapsed during the year	(\$0.05)	(3,384,600)
Exercised	(\$0.00)	(1,275,000)
As at 30 June 2019	\$0.04	32,311,807
Vested and exercisable at 30 June 2019	\$0.07	8,597,361

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Fair Value	Exercise Price	Share Options
1-Sep-12	1-Sep-22	\$0.02	\$0.05	3,493,539
1-Feb-14	1-Feb-24	\$0.03	\$0.11	301,167
1-Jul-15	1-Jul-25	\$0.10	\$0.20	100,000
12-Nov-15	12-Nov-25	\$0.08	\$0.20	542,101
1-Mar-16	1-Mar-26	\$0.05	\$0.10	150,000
3-Apr-16	3-Apr-26	\$0.05	\$0.10	75,000
7-Sep-16	7-Sep-26	\$0.04	\$0.07	1,050,000
30-Nov-16	30-Nov-26	\$0.04	\$0.07	1,200,000
19-May-17	19-May-27	\$0.03	\$0.04	1,050,000
13-Jul-17	13-Jul-27	\$0.04	\$0.03	200,000
5-Sep-17	5-Sep-27	\$0.03	\$0.04	2,000,000
3-Apr-18	3-Apr-28	\$0.07	\$0.03	1,500,000
3-Apr-18	3-Apr-28	\$0.07	\$0.09	3,000,000
3-Dec-18	3-Dec-28	\$0.03	\$0.04	5,550,000
21-Feb-19	21-Feb-29	\$0.02	\$0.03	1,100,000
5-Jun-19	5-Jun-29	\$0.01	\$0.02	11,000,000
Total				32,311,807
Weighted average remaining contractual life of options outstanding at end of year				8.44 years

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27 SHARE-BASED PAYMENTS (CONTINUED)

27.1 EMPLOYEE SHARE OPTION PLAN (CONTINUED)

Fair value of options granted

The assessed fair value at grant date of all options granted is set out above. The fair value at grant date was determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the respective options.

27.2 PERFORMANCE RIGHTS PLAN

At reporting date, no performance rights have been issued by the Company.

27.3 EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2019	2018
	\$	\$
Employee share options	231,959	179,239
Total expenses arising from share-based payment transactions	231,959	179,239

28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

In July 2019, the Chairman, Brian Mitchell and Managing Director, Brendan O’Kane agreed to provide additional short-term funding of \$250,000.

Other than the above, there were no significant transactions or events that occurred after the end of the reporting period.

29 CASHFLOW INFORMATION

29.1 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2019	2018
	\$	\$
Loss for the year/period	(3,386,864)	(1,740,612)
Adjustments for:		
Depreciation and amortisation	1,717,401	1,370,612
Net exchange differences	194,388	(46,510)
Share-based payments	231,959	179,239
Other income and expense	123,374	231,059
Non-operating income and expense	430,154	163,586
(Increase)/decrease in trade receivables	(189,139)	(344,925)
(Increase)/decrease in other assets	201,164	(349,284)
Increase/(decrease) in trade payables & accrued expenses	489,648	262,401
Increase/(decrease) in deferred revenue	(240,128)	423,358
Increase/(decrease) in provisions	(64,028)	29,807
Net cash inflow (outflow) from operating activities	(492,071)	179,731

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

29 CASHFLOW INFORMATION (CONTINUED)

29.2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2018	Cash flows	Acquisition	Non-cash changes Interest Accrued	Amortisation of transaction costs	30 June 2019
	\$	\$	\$	\$	\$	\$
Loans - Shareholder	308,977	(36,000)	-	36,004	-	308,981
Syndicate Loan- Directors	1,496,613	400,000	-	207,823	-	2,104,435
Syndicate Loan facility – Other	1,050,000	(168,000)	-	168,000	-	1,050,000
Director Loan (New)	-	450,000	-	18,000	-	468,000
Convertible Note	-	1,000,000	-	13,570	-	1,013,570
Capitalised Transaction Costs	(39,882)	(16,228)	-	42,007	-	(14,103)
Total	2,815,708	1,697,772		417,404		4,930,883

30 PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, OtherLevels Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of OtherLevels Holdings Limited. Dividends received from subsidiaries are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

30.1 SUMMARY FINANCIAL INFORMATION

	Company	
	2019	2018
	\$	\$
Balance sheet		
Current assets	242,259	228,019
Non-current assets	13,670,683	11,287,194
Total assets	13,912,942	11,515,213
Current liabilities	753,418	559,587
Non-current liabilities	4,949,939	2,817,611
Total liabilities	5,703,357	3,377,198
<i>Shareholders' equity</i>		
Contributed equity	14,071,936	12,293,828
Reserves	485,980	294,923
Accumulated losses	(6,348,330)	(4,450,736)
	8,209,586	8,138,015
Loss for the year/period	(1,928,496)	(1,377,034)
Total comprehensive income	(1,928,496)	(1,377,034)

OtherLevels Holdings Limited
Notes to the financial statements
For the year ended 30 June 2019

30 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

30.2 CONTINGENT LIABILITIES OF THE PARENT ENTITY

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

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 63 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date,
- (b) with regards to note 1.11 to the financial statements there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

Note 1.1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Brian Mitchell
Chairman



Brendan O'Kane
Managing Director

Brisbane

Dated this 22nd day of August 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OTHERLEVELS HOLDINGS LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of OtherLevels Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of OtherLevels Holdings Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without modifying our opinion expressed above, we draw attention to Note 1.11 of the financial statements which indicates that the consolidated entity had a net current asset deficiency of \$3,838,048 as at 30 June 2019 and incurred a net loss after tax of \$3,386,864 for the financial year then ended. These conditions, along with other matters as set forth in Note 1.11, indicate the existence of a material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to continue normal business operations and therefore whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report.

Independence

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

Key Audit Matters

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

1. BUSINESS COMBINATIONS

Why significant

During the year, the consolidated entity acquired the assets of XCOM Media Pty Ltd. This transaction was determined to be a business combination in accordance with AASB 3 Business Combinations. As part of the transaction, the consolidated entity recognised goodwill of \$1,531,997, software of \$288,750, and customer contracts of \$234,271. Contingent consideration totalling \$1,033,517 was also recognised.

Significant judgement is required in valuing the acquired identifiable intangible assets, contingent consideration and allocation of goodwill.

Disclosures regarding these items are included in Note 1.4, Note 2, Note 5, Note 13, and Note 19 to the financial statements.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- assessing the appropriateness of the valuation methodology of the intangible assets employed by management and evaluating the key assumptions used in determining the fair values;
- assessing the fair value of contingent consideration as at 30 June 2019; and
- assessing the appropriateness of the disclosures included in the notes to the financial statements

2. REVENUE RECOGNITION

Why significant

The consolidated entity's revenue of \$5,603,958 and its deferred revenue of \$1,925,777 are based on contracts with customers which include a variety of arrangements, all of which potentially have different revenue recognition triggers.

There is often a mismatch between cash flows from customer contracts and when revenues can be recognised, which is based on performance obligations.

How our audit addressed the key audit matter

Our audit procedures over revenue recognition included a combination of testing a sample of revenue transactions to ensure:

- Revenue has been recorded in the correct period;
- The amount of revenue recognised is appropriate; and
- The impact of any ongoing performance obligations has been included, and review of contracts with key customers, data analytical procedures focusing on integrity of revenue data and identification of unusual transactions

Given the specific nature of individual customer contracts which may bundle together inter-related or separate services and performance obligations, there is some complexity and elements of judgment required in recognition of revenue.

Disclosures regarding these items are included in Note 1.5, Note 2, Note 4, and Note 17 to the financial statements.

and review of key judgments adopted by the consolidated entity in recognising revenue for individual revenue streams.

For a sample of transactions and contractual arrangements we evaluated whether the revenue recognition criteria as required by *AASB 15 Revenue from Contracts with Customers* had been met.

We assessed the adequacy of the consolidated entity's disclosure in Note 1.5, Note 2, Note 4, and Note 17 to the financial statements.

3. INTANGIBLE ASSETS - CAPITALISATION OF SOFTWARE DEVELOPMENT COSTS

Why significant

Capitalised software development costs of \$3,727,538 are significant to the audit, due to the amount of expenditures being capitalised, the rapid technological change in the consolidated entity's industry, and the specific criteria that have to be met for capitalisation.

During the year ended 30 June 2019 the consolidated entity capitalised \$1,843,357 of expenditures relating to development of software.

Judgment is required in determining development expenditures that should be capitalised. Such judgments include consideration of matters such as generation of future economic benefits and distinction between development of new software and maintenance or upgrade of existing software. These costs are then amortised over the estimated useful life of the software.

Disclosures regarding this item are included in Note 2 and Note 14 to the financial statements.

How our audit addressed the key audit matter

We performed audit procedures over the accuracy and valuation of amounts capitalised in the current year and the amount expensed relating to software development. Our procedures included assessing the capitalised costs against the recognition criteria in *AASB 138: Intangible Assets*, assessing the key assumptions used and estimates made in capitalising development costs and testing on a sample basis the accuracy of costs included.

We examined the consolidated entity's development process and specifically considered both internal and external costs incurred in the period to assess both the accuracy and completeness of amounts capitalised.

We also assessed the adequacy of the consolidated entity's disclosure in Note 2 and Note 14 to the financial statements.

4. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

Why significant

As at 30 June 2019, the consolidated entity has recorded intangible assets with a total carrying value of \$5,462,570. This represents 74% of total assets. Included in this total is goodwill totalling \$1,531,997.

Under Australian Accounting Standards, goodwill is required to be tested for impairment annually. Furthermore, the consolidated entity suffered losses of \$3,386,864, and generated negative cash flow from operating and software development activities of \$ 2,432,738 for the year ended 30 June 2019 which are indicators of impairment.

For the year ended 30 June 2019, the consolidated entity identified itself as one cash-generating unit.

The consolidated entity performed an impairment assessment by calculating the value-in-use of the net assets, including intangible assets in the CGU. This calculation was based on estimated future cash flows, discounted to net present value using a pre-tax discount rate of 18%. Cash flow forecasts were based on the FY2020 board-approved budget and thereafter applying a growth rate of 17-20% for the period to 2024. A terminal value was then applied. No growth rate was factored into the terminal value.

There is significant judgement involved in estimating future cash flows, particularly with respect to determining appropriate:

- Discount rates
- Annual growth rates
- Terminal growth rates

Disclosures relating to Intangible Assets are included in Note 2 and Note 14 to the financial statements.

How our audit addressed the key audit matter

Our procedures included assessing the assumptions and methodologies used by the consolidated entity in their assets' value-in-use impairment model. We compared the consolidated entity's assumptions to our own assessments of key inputs such as revenue growth, cost inflation and discount rates and assessed sensitivities, as well as performed a break-even analysis on key assumptions.

We tested the consolidated entity's procedures related to the preparation of the budget approved by the Board upon which the value-in-use model is based, as well as compared the sum of projected discounted cash flows to the market capitalisation of the consolidated entity to assess whether the projected cash flows appeared consistent with the market assessment of the consolidated entity's value.

We assessed the useful lives of finite life assets to determine if they remained appropriate in the context of the expected future period of economic consumption.

We assessed the adequacy of the consolidated entity's disclosure in Note 2 and Note 14 to the financial statements.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

We have obtained all the Other Information prior to the date of this Auditor's Report, including the Chairman and Managing Director's Message, the Directors' Report, the Results Announcement and Shareholder Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the

auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of OtherLevels Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF BRISBANE AUDIT



**LIAM MURPHY
PARTNER**

**22 AUGUST 2019
BRISBANE**

OtherLevels Holdings Limited ACN 603 987 266
Shareholder Information

The shareholders information set out below was applicable as at **14 August 2019**.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	
	Holders	Shares
1 - 1,000	7	1,512
1,001 – 5,000	12	41,231
5,001 – 10,000	68	651,898
10,001 – 100,000	223	8,513,771
100,001 and over	135	277,632,988
Total	445	286,841,400

There were 106 holders of less than a marketable parcel of ordinary shares, totalling 874,312 shares.

A Quoted equity security holders

Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are listed below:

Name		Ordinary shares	
		Number held	Percentage of issued shares
1	HALFBRICK INTERNATIONAL HOLDINGS	28,635,068	9.98%
2	TARA INVESTMENT SERVICES PTY LTD	22,276,324	7.77%
3	SILICA INVESTMENTS PTY LTD	15,897,226	5.54%
4	BIRKDALE HOLDINGS (QLD) PTY LTD*	15,395,854	5.37%
5	MT PARTNERS PTY LTD	14,244,815	4.97%
6	AISSF PTY LTD	12,569,872	4.38%
7	DOLNY KUBIN PTY LTD	12,278,959	4.28%
8	NATIONAL NOMINEES LIMITED	11,663,955	4.07%
9	TRIMANTIUM PTY LTD	10,000,000	3.49%
10	CATCH 88 PTY LTD	7,721,569	2.69%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,212,268	2.51%
12	HOLLYWOOD ROAD INVESTMENTS PTY LTD	5,224,971	1.82%
13	INVIA CUSTODIAN PTY LIMITED	5,120,899	1.79%
14	MRS MARGARET LINDEMANN & MR CHARLES LINDEMANN	4,501,000	1.57%
15	LEMJAL PTY LTD	4,000,000	1.39%
16	YONGALA INVESTMENTS PTY LTD	3,571,428	1.25%
17	GOLF SHIRTS PTY LTD	3,333,333	1.16%
18	MR WILLIAM BLAIR HEALY & MRS MARY HEALY	3,333,333	1.16%
19	ATTENOV PTY LTD	3,333,000	1.16%
20	NETWEALTH INVESTMENTS LIMITED	3,247,333	1.13%
Total		193,561,207	67.48%

* Consolidated trustee/custodian holding

Shareholder Information*Unquoted equity securities*

	Number on issue	Number of holders
Options issued on 19 December 2016 (exercise price of \$0.06)	5,000,000	2
Options issued on 14 July 2017 (exercise price of \$0.04)	12,750,000	4
Options issued on 25 July 2018 (exercise price of \$0.04)	3,000,000	1
Options issued under the OtherLevels Holdings Limited ESOP	32,311,807	30

B Substantial holders

Substantial shareholders of ordinary shares in the Company are set out below.

Holder	Number held	Percentage of issued shares
Brendan O’Kane	34,846,196	12.15%
Halfbrick International Holdings	28,635,068	9.98%
Brian Mitchell	21,966,384	7.66%
Richard Hannebery (incl Silica Investments Pty Ltd)	18,127,850	6.32%
Birkdale Holdings (Qld) Pty Ltd	15,395,854	5.37%
Ian Lowles	12,582,407	4.39%

C Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

D Other information*On-market buy-back*

Currently there is no on-market buy-back of the Company’s securities.

Consistency with business objectives

The company has used its cash and assets in a form readily convertible to cash that it had at the time of listing (and subsequent capital raisings) in a way consistent with its stated business objectives.

OtherLevels Holdings Limited ACN 603 987 266
Corporate Directory

Directors	Brian Mitchell Brendan O’Kane Tanya Cox Ian Lowles Cristiano Nicolli
Company Secretary	Andrew Ritter
Principal place of business	Level 1, 235 Edward Street Brisbane QLD 4000 T: +61 7 3053 8775 W: www.otherlevels.com
Registered office in Australia	Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000 T: +61 7 3233 8888 F: +61 7 3229 9949
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000 T: 1300 554 474 W: www.linkmarketservices.com.au
Auditor	PKF Brisbane Audit Level 6, 10 Eagle Street Brisbane QLD 4000
Investor and Client Presentation available at:	www.otherlevels.com
Stock exchange listing	OtherLevels Holdings Limited shares are listed on the Australian Securities Exchange (ASX). ASX code: OLV