# impelus

more customers, more often.

Annual Report **2020**

# Impelus

ABN 24 089 805 416



**DISCLAIMER**

# Introduction

About Impelus

Impelus Limited is a Digital Customer Generation company that uses its technology, tools and data assets to deliver high volume leads to its clients to generate quality results, at quantity, across industries globally on a pay per lead basis, so they can scale, grow and exceed their business objectives.

In a rapidly evolving digital and online environment, businesses globally are urgently seeking ways to better secure leads and acquire customers through more measurable ROI (Return on Investment) for every marketing dollar spent.

Operating in Australia, New Zealand and the UK, we find the right customers to drive their growth. Impelus is providing increasing value and market opportunity to its brand partners which are some of the world's most recognised and leading brands. Businesses can reach and acquire their best customers, at scale, through digital channels and most importantly, on the devices where consumers are choosing to spend more and more of their time.

As experts in targeted, consented consumer engagement, Impelus has a passionate commitment to technology innovation and agility that drives its competitive strength, and a focused determination to continually succeed in the dynamic Digital Performance Marketing industry.

Together with ambitious businesses who value transparency, collaboration and deep performance experience, we are dedicated to driving unprecedented trust, efficiency, and quality to Digital Customer Generation.

## Three Year Strategy

### TECHNOLOGY & DATA

Continued innovation and enhancement of technology and digital asset development to deliver market leading quality at massive scale.

### PRODUCT

Build a globally recognised brand and range of high performing products that secure an expansive client base and grow and sustain competitive advantage.

### INTERNATIONAL EXPANSION

Consistently improve existing markets and replicate into new markets building an expansive IMS global operational footprint and financial performance.

# What We Do

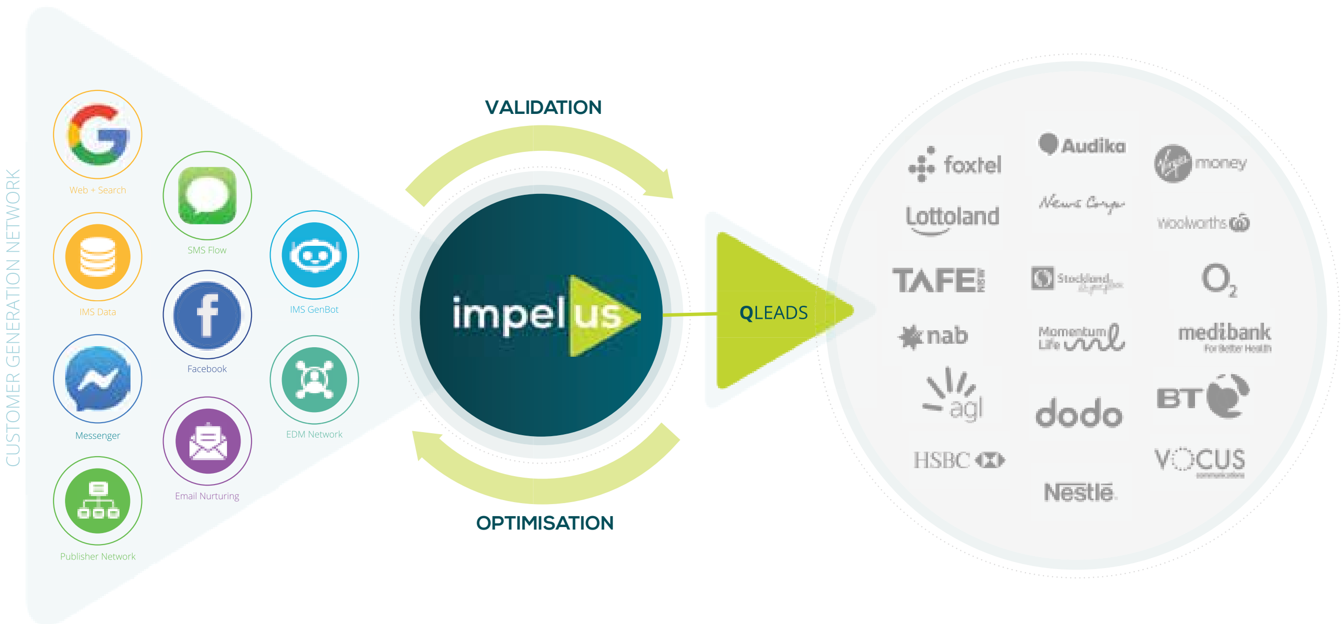
The growth in Digital Customer Generation arises from the demand by businesses across industries to see tangible results from their marketing spend in growing their customer base, keeping return on investment (ROI) at the forefront.

We accelerate our client's customer generation activity by providing direct and conversational ways for people to engage with them, to take action, where they already spend their time, and in the process deliver measurable ROI.

As a technology led Digital Customer Generation company, Impelus is focused on the continual innovation and development of its proprietary technology infrastructure and leveraging it with best in market technology partners. Impelus has grown a proprietary technology stack that has been built through a combination of internal development, partner integration, strategic acquisitions, focused innovation and organic investment.

Overall this technology stack is a significant component of the Company's competitive strength.

## Impelus Digital Customer Generation



# How It Works

1

## Craft Client Programme

We identify, profile and create portraits of our client's target audience using our expertise, in-house tech and databases.

2

## Engage Customers with DAN

We use a combination of owned, co-branded or unbranded assets in our Digital Asset Network (DAN) to engage with our client's target audience.

3

## Drive Traffic

We push the client's programme via the most receptive channels for your target audience to drive outcomes.

4

## Verify & Deliver Customers

We work with third party verification partners to deliver only the best quality customers according to our client's requirements.

5

## Scale & Optimise

We scale and optimise the client's programme's performance, so we can help them nurture and grow their business.

# Who We Help

Impelus provides Digital Customer Generation for forward thinking businesses who want to scale.

Impelus broad client base covers major industries including gas, electricity, telecommunications, finance, health, travel, insurance, education, entertainment and FMCG (Fast Moving Consumer Goods). Following are some of the leading brands our Digital Customer Generation has delivered quality consumer leads.

# Glossary of Terms

**Artificial Intelligence** the theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.

**Campaign** a course of action an advertiser takes to promote and sell a product or service, for example they could do an online ad campaign or an email marketing campaign.

**Carrier Billing** a mobile payment method that allows a consumer to purchase a product from a third-party vendor via their mobile phone bill.

**Consumer Profiling** a way of describing a consumer categorically so that they can be grouped for marketing and advertising purposes. By target advertising to a specific market segment, companies and marketers can find more success in selling a particular product and increase profits.

**Customer Acquisition** the art of gaining new consumers through various different customer acquisition strategies. Businesses consider the cost of customer acquisition as an important measure in evaluating how much value customers bring to their business.

**Data Analytics** the process of examining data sets in order to draw conclusions about the information they contain, increasingly with the aid of specialised systems and software.

**General Data Protection Regulation (GDPR)** a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU) that came into effect across the EU on 25th May 2018.

**Lead Generation** the action or process of identifying and cultivating potential customers for a business's products or services.

**Machine Learning** is a method of data analysis that automates analytical model building. Using algorithms that iteratively learn from data, machine learning allows computers to find hidden insights without being explicitly programmed where to look.

**Marketing Transaction** the action such as a sign up form completion, click or view that is deemed the focus metric of a campaign.

**Performance Marketing** is a comprehensive term that refers to online marketing and advertising programs in which advertisers (i.e. "retailers" or "merchants") and marketing companies (i.e. "affiliates" or "publishers") are paid when a specific action is completed; such as a sale, lead, install or click.

**Permissioned Consumer or Customer Leads** when a prospect explicitly agrees in advance to receive marketing information about a certain product or offer they express their permission for their information to be handed over to an interested party to contact them about that particular product/offer.

**ROI (Return on Investment)** is a measure of the profit earned from each investment. Like the "return" (or profit) that you earn on your portfolio or bank account, it's calculated as a percentage.

## Directors' Report

The directors of Impelus Limited present their report together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2020.

The names and particulars of the directors of the Company during or since the end of the financial year unless otherwise stated are:

## Directors

| Name | Particulars |
|---|---|
| **Brendan Birthistle**<br>Independent chairman<br>Non-executive director<br>appointed 04 December 2018. | Mr Birthistle has significant and substantial strategic and operational experience. Early in his career, he worked as a management consultant with WD Scott, and as a Corporate Planner for ICL Australia (International Computers) and Wormald International Limited. As a CEO of Raynors (a subsidiary of Adelaide Steamships), he and the enthusiastic management team successfully transformed what was a moribund company.<br><br>Brendan operated his boutique financial planning organisation, Connaught Consultants, for over 30 years (1984 to 2015). To achieve a better deal for Australian shareholders, he served the Australian Shareholders' Association serving as Chairman for 3 years in the early Nineties. In 2003 he was elected as a Director of CCI a small struggling listed coal testing company and was partly instrumental in the turn-around of the Company and its eventual sale. Investors were rewarded with a four-fold increase in their original investment.<br><br>For the past ten years, Brendan has concentrated on investing mainly in listed micro-cap companies. He presently owns shares in over 60 companies mainly technical and digital in nature. This experience has proved enjoyable, educational and highly profitable. He is also a director of 3 successful private companies and The Eolas Foundation a charitable trust.<br><br>Brendan's educational qualifications include an MBA (University of California, Los Angeles, B.Sc. (Hons) from University College, Dublin, a BA (UNSW), and a Diploma of Jurisprudence (University of Sydney). |
| Interest in shares & options | 270,093,204 ordinary shares. Nil options. |
| Special responsibilities | Mr. Birthistle is a member of the audit committee, the nomination and remuneration committee. |
| Directorships held in other listed entities during the three years prior to the current year | Nil. |
| **David Andrew Haines**<br>Independent<br>Non-executive director<br>**Interim Chairman**<br>from 9 November 2018 to 30 November 2018 | A director of the Company since May 2001. Mr. Haines holds a Bachelor of Education degree and was Secretary to the Standing Committee of Commonwealth, State and Territory Ministers with Censorship Responsibilities (1988 to 1994), Deputy Chief Censor, Australian Film Censorship Board (1986 to 1994) and Member of the Australian Film Censorship Board (1981-1994). |
| Interest in shares & options | 565,000 ordinary shares and nil options. |
| Special responsibilities | Mr. Haines is chair of the audit committee and a member of the nomination and remuneration committee. |
| Directorships held in other listed entities during the three years prior to the current year | Nil. |

| | |
|---|---|
| **Neil Wiles**<br>CEO & MD<br>Executive director appointed 18 July 2017<br>& resigned 15 November 2019 | Mr. Wiles was appointed executive director of the Company on 18 July 2017.<br>Mr. Wiles was appointed CEO and managing director of the Company on 8 August 2017.<br><br>Prior to his appointment as CEO and managing director Mr. Wiles had been managing director of the Company since 2005. For more than 27 years, Mr. Wiles has led, developed and grown businesses as managing director and CEO in the communications, digital, information technology and marketing sectors. Mr. Wiles is an awarded and accredited digital media innovator and industry expert having held executive leadership roles with key industry and regulatory bodies, and as an advisor to media on entertainment and technology convergence. He was Chairman of the committee for Pre-assessment Guidelines for the Classification of Mobile Content and sat on the Australian Direct Marketing Association (**ADMA**) Mobile Marketing Council.<br><br>Mr. Wiles acknowledgments include having been listed by B&T Digital as one of the 40 Biggest Players of Australia's Digital Age and having been named "Mobile Marketer of the Year" by ADMA the nation's peak body for information-based marketing with more than 500-member organisations. |
| Interest in shares & options | 21,283,000 ordinary shares as at his resignation date 15 November 2019. |
| Special responsibilities | Nil. |
| Directorships held in other listed entities during the three years prior to the current year | Nil. |
| **Craig Poole**<br>Executive director appointed 28 October 2019<br>& resigned 28 January 2020 | Mr. Poole was appointed Executive Director of the company on 28 October 2019.<br><br>Mr. Poole has over 30 years' experience as an advertising and marketing professional, working with, amongst others, Westpac and DuPont Australia. He was the founder of marketing agency, Synchromesh, and led its growth and expansion into Asia, before selling it on. |
| Interest in shares & options | Nil. |
| Special responsibilities | Nil. |
| Directorships held in other listed entities during the three years prior to the current year | Nil. |
| **Maureen Smith**<br>Executive Director appointed 28 January 2020 and resigned 7 August 2020 | Ms Smith is a senior executive at IMS and currently holds the position of Head of Human Resources.<br><br>Ms Smith's appointment was temporary as the Board of Directors considered potential candidates to replace the recently retired Executive director, Mr Craig Poole. |
| Interest in shares & options | 400,000 ordinary shares and 400,000 options. |
| Special responsibilities | Nil |
| Directorships held in other listed entities during the three years prior to the current year | Nil |

## Company Secretary

| Name | Particulars |
|---|---|
| **Vanessa Chidrawi**<br>Company secretary<br>**Appointed** 21 February 2019 | Vanessa is a highly experienced Company Secretary and has previously worked in multiple Company Secretary roles both locally and internationally prior to joining Impelus and brings a significant degree of experience to this position. She holds a Bachelor of Law and a Bachelor of Commerce.<br><br>Vanessa had 12 years private practice experience as a commercial lawyer, practicing on her own account in Johannesburg. Over the past 13 years, she has acted as General Counsel and Company Secretary for various ASX- and TSX-listed companies. Ms Chidrawi brings with her a wealth of experience in governance management, mergers and acquisitions, litigation management, board advisory and capital raising in the listed company space. |
| Interest in shares & options | Nil. |

## Principal Activities

Impelus Limited posted an EBITDA of $(0.37) million and a NPAT of $(6.65) million for the year results.

The principal activities of the consolidated entity are technology led Digital Customer Generation utilising Digital Performance Marketing (**DPM**). As a DPM customer generation company the consolidated entity, through its DPM platforms and infrastructure, enables businesses to acquire customers at scale via digital channels and devices. For more information please see www.impelus.com.

There were no other significant changes in the nature of the consolidated Group's principal activities during the period.

## Review of Operations

Impelus Limited posted an EBITDA of $(0.37) million (FY2019 $0.07 million), Revenue of $9.41 million (FY2019 $12.07 million) and a full-year loss after tax of $6.65 million compared to the prior year loss after tax of $12.27 million.

The decrease in financial performance was primarily due to the impact of COVID-19 that impacted digital performance marketing in the final Quarter of 2020. UK revenues and profits displayed some resilience to the effects of COVID-19 but declines of 15 to 20 per cent were recorded nonetheless. Since then, things have stabilised and have actually improved although somewhat in a hesitant way.

The UK team is developing and improving the Company's intellectual property to better service clients. For example, Solvers, one of our core IP products, is continuously being expanded to improve the user experience and to better connect our clients with their potential customers. Media buying and sales have expanded and have become more focused.

With the help of the UK Government, 40% of the UK staff are now on the Coronavirus Job Retention Scheme, which means the UK Government will pay 80% of the employees' wages for the Company. This scheme reduces the financial stress on the UK team while helping to maintain a positive monthly net cash flow.

In Australia, the immediate repercussions of COVID-19, which became apparent in mid-March 2020, delivered a most unwelcomed blow. The malignant effects continued during April and May when Australian revenue plummeted by 90%. As a result of the outstanding efforts of our employees, together with Government support, AU operations started to tentatively recover from June 2020. All employees are presently working from home with most on the government JobKeeper program. Significant overhead savings continue to be made, including a reduction in office rent; we expect that further Government assistance will be forthcoming.

The merging of AU and UK systems and platforms is proceeding well. Unexpected improvements have come to light, as well as planned boosts to the Group's efficiency through the elimination of unnecessary overheads and duplicate costs.

| ($) million | FY 2020 | FY 2019 | Variance |
|---|---|---|---|
| Revenue | $9.41 | $12.07 | ($2.66) |
| Gross Profit | $3.69 | $5.60 | ($1.91) |
| Employment costs | $2.70 | $3.34 | ($0.64) |
| **EBITDA** | **($0.37)** | **$0.07** | **($0.44)** |
| Depreciation and amortisation | $4.78 | $4.20 | $0.58 |
| Impairment of intangible assets | $0.72 | $7.28 | ($6.56) |
| **Net Profit / (Loss) After Tax** | **($6.65)** | **($12.27)** | **$5.62** |

**Half year comparison**

| ($) million | H2 FY20 | H1 FY20 | Variance |
|---|---|---|---|
| Revenue | $3.93 | $5.48 | ($1.55) |
| Gross Profit | $1.19 | $2.50 | ($1.31) |
| Employment costs | $0.94 | $1.76 | ($0.82) |
| **EBITDA** | **($0.44)** | **$0.07** | **($0.51)** |
| Depreciation and amortisation | $2.21 | $2.57 | ($0.36) |
| Impairment of intangible assets | $0.00 | $0.72 | ($0.72) |
| **Net Profit / (Loss) After Tax** | **($2.96)** | **($3.69)** | **$0.73** |

Due to the impact of COVID-19, the revenue in 2nd half year of FY 2020 dropped by 28% compared to 1st half year. We reacted quickly. Operating expenses and employment costs were pruned judiciously to offset the sudden drop-off. Nonetheless, despite our best efforts and the wholehearted support of all the employees coupled Australian and UK Government support, EBITDA in 2nd half year deteriorated, resulting in a negative ($0.44m) outcome.

## Proprietary Technology

Impelus has grown a proprietary technology stack that has been built through a combination of internal development, partner integration, strategic acquisitions, focused innovation and organic investment. Overall this technology stack is a significant component of the Company’s competitive strength and enablement for it to scale and optimise revenue and EBITDA for current and future operations.

## Personnel Changes - Board

Mr. Neil Wiles resigned as Executive Director on the 15 November 2019. Mr. Craig Poole was appointed as Executive Director on the 28 October 2019 and resigned on 28 January 2020. Ms Maureen Smith was appointed as a director on the 28 January 2020 and resigned on 7 August 2020. Mr Rob Skinner was appointed as Executive Director on 7 August 2020.

## Cash Flow

The Company's Cash at Bank was $1,013,091 at 30 June 2020, compared to $1,206,701 at 30 June 2019.

The table below compares the last half of the financial year 2020 (HY2 FY20 1 January 2020 to 30 June 2020) to the first half of the financial year 2020 (HY1 FY20 1 July 2019 to 31 December 2019), and shows the full performance for financial year 2020:

| **Period** | **HY2 FY20** | **HY1 FY20** | **Full Year FY20** |
|---|---|---|---|
| | **6 months** | **6 months** | **12 months** |
| | AUD | AUD | AUD |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net cash provided by / (used in) operating activities | 439,660 | (13,640) | 426,020 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net cash (used in) investing activities | (662,000) | (336,863) | (998,863) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net cash provided by financing activities | 23,384 | 355,849 | 379,233 |
| | | | |
| Net (decrease) / increase in cash held | (198,956) | 5,346 | (193,610) |
| Cash at beginning of financial year period | 1,212,047 | 1,206,701 | 1,206,701 |
| Cash at end of financial year | 1,013,091 | 1,212,047 | 1,013,091 |

## Capital Expenditure

Capital expenditure for the financial year ending 2020 was $957,357 a component of that expenditure was wage. This expenditure was capitalised: FY 2020 $957,357 compared to FY 2019 $778,942. This expenditure was mainly to develop our performance marketing digital assets.

## Financial Position

The net assets of the consolidated Group have decreased by $6.07m from $4.01m in 30 June 2019, to ($2.06m) in FY 2020. This was due to the further depreciation and amortistion of software relating to DPM operations and the negative impact by COVID-19 as previously announced.

**Capital raised:**

On 4 Feb 2020, the Company issued 111,129,568 fully paid ordinary shares upon conversion of convertible notes to Mr. Brendan Birthistle indirect holdings under Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>.

The Company has secured a further loan of $150,000 on 1 March 2020 from Brendan Birthistle, Chairman, to meet ongoing working capital requirements. The loan attracts interest at a rate of 13.71% per annum and matures on 15 December 2022. The loan is unsecured and no equity is being issued in respect of the loan.

The directors believe the Group is in a stable financial position to expand and grow its current operations being able to fund future operations through share issues, debt instruments, control of costs, and the continued commercialization of its business-to-business activities.

Bank debt has reduced further during FY2020. The bank is supportive and has agreed to extend the terms of existing facilities on favourable terms.

## Significant Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## Legal Update

On 16 April 2020, Impelus reached a settlement with the liquidators of Careers Australia Group Limited which the board considered as satisfactory. (See ASX announcement of 12 November 2019 for details of this matter).

## After Balance Date Events

As ASX announcement of 11 August 2020, Ms Maureen Smith resigned as a Director from 7 August 2020. Mr. Robert Skinner has been appointed as Non-executive Director from 7 August 2020.

## Future Developments, Prospects and Business Strategies

The Company is building out its Digital Performance Marketing (DPM) platforms and infrastructure globally. IMS has created a Digital Performance Marketing infrastructure from its offices in Australia, and the UK, and has commenced EMEA expansion into Portugal. This infrastructure allows clients to utilise its proprietary and integrated partner technology, tools and data assets to seamlessly target and connect consumers to products they value, enabling them to generate high quality customer acquisitions at scale, on online and mobile devices.

However, due to the severe impact of COVID-19 since March 2020, IMS has slowed the pace of development to better fit the slow recovery from the pandemic.

Throughout FY2020:

Impelus has invested strongly in the development of its Digital Lead Generation products and technology. Results to date are encouraging with benefits already apparent. An internal product and systems review identified the measures necessary to increase digital lead delivery capacity in order to service more clients and grow revenue. The Impelus operations and sales team has been strengthened and reporting systems improved.
The objectives of the work, in line with the Company's strategy, include:

- Strengthen the platform for revenue generation through expansion of lead delivery capacity;
- Increase scalability and cost base efficiency through systems automation; and
- Grow marketing return on investment (MROI) and drive gross profit performance through
    - advanced reporting & analytics; and
    - integration of multiple disparate audience channels and data sources.

As a result of this effort substantial product and systems development progress has been made with heartening results gradually becoming evident.

H2 FY2020 Group EBITDA has been softened compared to H1 FY2020, mainly due to the negative impact from COVID-19. This has caused April and May Australian revenue to plummet by 90%.

Through the efforts of our employees, together with Government support the AU operation has started to recover from June 2020.

All employees are presently working from home with most on the JobKeeper program. Significant overhead savings have been made already, deferment of office rent has been granted, with further Government assistance expected.

The merging of AU and UK systems and platforms is proceeding well, thereby improving the Group's efficiency and saving unnecessary and duplicate costs.

UK revenues and profits to date have shown resilience to COVID-19 impacts. The UK team is developing and improving the intellectual property to better service our clients suffering from the effects of COVID-19.

With the help of the UK Government, 40% of the UK staff are now on the Coronavirus Job Retention Scheme, which means the UK Government will pay 80% of the employees' wages for the Company. This scheme reduces the financial stress on the UK team while helping to maintain a positive monthly net cash flow.

The Company believes that the future benefits of the above measures, when added to the timid, emerging, but growing business trends, will start to take effect during H1 FY2021. A lot of uncertainty remains, however, due to the unknown economic and social impacts of COVID-19.

## Outlook

Impelus is now well advanced in establishing a platform to grow as a digital lead customer generation business powered by the very best in technology platforms.

Digital marketing industry expenditures overall are forecast to grow. Generating leads and lead generation return on investment (ROI) represent major challenges across all business sectors, but we hope to win our share.

Impelus intends to harness this growth through its products, technology and agility. The Company believes its strategy is well-founded and that its team possesses the persistence and grit to complete the job.

In FY2021 the Company will focus on the further strengthening and expanding the scale of its higher value lead generation capability. The significant product and IT systems development work currently underway is progressing well and has already improved some margins and increased efficiencies with further improvement expected.

The Company will increase its investment in this growth and will launch new projects throughout FY2021. The result will be higher average revenue per transaction. Loss making and low profitability work will be avoided. Improvements in profitability is expected to be gradual. Nevertheless, it is not inconceivable that some of these new projects will turn out to be "game changers" such is the nature of digital marketing. We will try hard to realise the potential.

Meanwhile, UK operations have a strong base of valuable Company-owned publishing properties (websites). These sites generate large amounts of quality consented consumer data and supply large volumes of digital leads for UK clients every month. New developments in this area are the expansion of the UK operations revenue generation capacity enabling it to service a broader range of clients.

EMEA expansion has commenced with lead generation trials in Portugal with positive early results. This has been achieved without any in territory infrastructure cost. A number of EMEA territories have been identified for further expansion that can be managed from the Company's UK office.

## Environmental Issues

The consolidated entity's operations are not affected by any significant environmental regulation under the law of the Commonwealth or the State. To the extent that any environmental regulations may have an incidental impact on the consolidated Group's operations, the directors of the Company and its controlled entities are not aware of any breach by the Company and its controlled entities of those regulations.

## Dividends

There have been no dividends paid or declared since the beginning of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2020.

## Share Based Payments

There have been no share-based payments in the financial year ending 30 June 2020.

## Remuneration Report

The Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of Impelus Limited, including key management personnel in accordance with relevant accounting standards and *Section 300A of the Corporations Act*.

The remuneration policy of Impelus Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering short term incentives and long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of Impelus Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

Remuneration of directors and executives is reviewed by the Remuneration Committee in accordance with its Charter. The Remuneration Committee makes recommendations to the board on the following:

- Executive remuneration and incentive policies;
- Ensuring policy allows the Company to recruit and retain suitably qualified executives;
- Remuneration framework for directors;
- Aligning the interests of key employees to the long-term interests of shareholders; and
- Demonstrate a clear relationship between key executive performance and remuneration.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated Group's revenue, profits, shareholders' value as well as personal goals. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

## Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

Two methods have been applied to achieve this aim, the first being a performance-based STI bonus based on key performance indicators, and the second being the LTI issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy is effective in positioning itself for future growth.

The following table shows the revenue and earnings for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

| | 30 June 2016 | 30 June 2017 | 30 June 2018 | 30 June 2019 | 30 June 2020 |
|---|---|---|---|---|---|
| Revenue $ | 60,563,131 | 52,555,202 | 25,510,096 | 12,074,388 | 9,410,601 |
| EBITDA $ | 9,495,954 | 5,394,573 | 4,551,844 | 70,860 | (365,803) |
| Net profit / (loss) after tax | 4,916,116 | 1,595,677 | (29,010,946) | (12,271,242) | (6,647,046) |
| Share price (cents) | 30.5 | 5.05 | 1.7 | 0.7 | 0.5 |

The Company's performance over the last five years is set out in the table above.

The Company has been working through a substantial restructure and shift in focus due to external factors beyond its control. It has made significant progress in resolving a number of operational challenges and in developing its position to take advantage of the growing market opportunity of enabling the acquisition of customers at scale on online and mobile devices through Digital Performance Marketing (**DPM**).

In the opinion of the board, this can be attributed, in part, to the previously described remuneration policy. The Group's operations are building a stronger platform for growth.

Achieving long term sustainable profitable growth provides the platform to further increase shareholder wealth in the future.

## Table of Employment Details of Members of Key Management Personnel

No STI bonuses were awarded to key management personnel for FY 2020 despite the high performance of the key executives in guiding the Company through a major and complex restructuring process and shift in focus as, due to the impacts from external factors on the overall operations, revenue and EBITDA for FY 2020 was lower than FY 2019

No Options were issued during FY 2020 to key management personnel or staff.

| Name | Neil Wiles | Simon Allison | Felix Guocong Chen |
|---|---|---|---|
| Position held<br>30 June 2017<br><br>18 July 2017<br><br>15 November 2019<br><br>06 May 2020 | <br>Managing Director.<br><br>Appointed Executive Director.<br><br>Resigned as Managing Director and CEO. | <br>Chief Finance Officer.<br><br><br><br><br><br>Resigned as CFO. | <br><br><br><br><br><br><br>Acting Chief Finance Officer. |
| Contract details | Four years and 7 months from the 4 November 2014. May be extended by mutual agreement. | Appointment continued until date the employment is terminated pursuant to the terms of the agreement. | Appointment continued until date the employment is terminated pursuant to the terms of the agreement. |
| Notice period | 12 months. | 3 months. | 1 month. |
| Total base salary | $390,000*<br>Current base salary is 15% less than this by a voluntary pay reduction | $180,000 | $110,000 |
| Short term incentive | A discretional amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the Board. Refer to Remuneration Report for KPI's. | A discretional amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the Board. Refer to Remuneration Report for KPI's. | |
| Other benefits | 30 days' annual leave. Corporate parking. Life insurance policy paid for by IMS. | 20 days' annual leave. Corporate parking. | 20 days' annual leave. |
| Termination by company | 12 months' notice or payment in lieu. | 3 months' notice or payment in lieu. | 1 month's notice or payment in lieu. |
| Restraint | 12 months' post termination. | 6 months' post termination. | Nil |
| Interest in shares 30 June 2020 | Nil | Nil | Nil |
| Long term incentive / options | Nil | Nil | 300,000 employee options |

## Director and Executive Remuneration

The following table of benefits and payments detail, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated Group and, to the extent different, the five group executives and five company executives receiving the highest remuneration:

| 2020 | Short-term Benefits | | | Post-employment Benefits | Termination Payment | Equity-Settle Share-based Payments | | Total $ |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees & Leave $ | Bonus $ | Non-Monetary $ | Super-annuation $ | | Shares $ | Options $ | |
| **Non-Exec Directors** | | | | | | | | |
| Brendan Birthistle | - | - | - | - | - | - | - | - |
| David Haines | 46,208 | - | - | 4,390 | - | - | - | 50,598 |
| **Executives** | | | | | | | | |
| Neil Wiles (1) | 126,665 | - | 8,989^ | 8,594 | - | - | - | 144,248 |
| Simon Allison (2) | 130,137 | - | - | 12,363 | - | - | - | 142,500 |
| Felix Chen (3) | 18,333 | - | - | 1,742 | - | - | - | 20,075 |
| Craig Poole (4) | 40,000 | - | - | - | - | - | - | 40,000 |
| Maureen Smith (5) | 32,099 | - | - | 3,049 | - | - | - | 35,148 |
| | **393,442** | **-** | **8,989^** | **30,138** | **-** | **-** | **-** | **432,569** |

*(1) Mr Neil Wiles has resigned as Managing Director and CEO on 15 November 2019. His benefits after his resignation date were not included.*
*^ Non-Monetary includes keyman and income protection insurance payments on behalf of and in the interest of the Company.*
*(2) Mr Simon Allison has resigned as CFO on 6 May 2020.*
*(3) Mr Felix Chen has been appointed as Acting CFO from 6 May 2020. His benefits before his appointment date were not included.*
*(4) Mr Craig Poole was appointed as Executive Director from 28 October 2019 to 28 January 2020.*
*(5) Ms Maureen Smith has been appointed as Executive Director from 28 January 2020.*

| 2019 | Short-term Benefits | | | Post-employment Benefits | Termination Payment | Equity-settle Share-based Payments | | Total $ |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees & Leave $ | Bonus $ | Non-Monetary $ | Super-annuation $ | | Shares $ | Options $ | |
| **Non-Exec Directors** | | | | | | | | |
| Brendan Birthistle | - | - | - | - | - | - | - | - |
| David Haines | 54,166 | - | - | 5,136 | - | - | - | 59,302 |
| Ian Elliot | 24,675 | - | - | 2,344 | - | - | - | 27,019 |
| **Executives** | | | | | | | | |
| Neil Wiles | 341,802 | - | 40,795^ | 20,531 | - | - | - | 403,128 |
| Simon Allison | 217,024 | - | - | 20,531 | - | - | - | 237,555 |
| | **637,667** | **-** | **40,795^** | **48,542** | **-** | **-** | **-** | **727,004** |

## Short Term Incentive Plan – Cash Bonuses

The Company has in place short term incentive plans. Key management are entitled to a short-term cash incentive based on performance criteria as determined by and at the discretion of the board. The metrics for the short-term incentive plans relate to EBITDA performance and personal goals.

The performance criteria must be met within the financial year for the bonus entitlement to be realised.

For FY 2020 there was no STI incentive plan.

## Incentive Payment Determination

The short-term incentive plan for FY 2020 provides for the board to apply at its discretion an adjusted multiplier to the incentive base of each incentive plan participant, based on overall performance, of between 0 and 1.5.

For FY 2020 there was no STI incentive plan.

## Bonuses for FY 2020

No STI bonuses were awarded for FY 2020, despite the high performance of the key executives in difficult operating conditions, as due to the impacts from COVID-19 on the performance marketing operations revenue and EBITDA for FY 2020 was lower than FY 2019. The board acknowledges the outstanding dedication, commitment and work rate of the key executives to improve the Company's performance under the considerable pressure of its challenging business environment.

## Share Options

**Long term incentive plan – share options.**

There were 8 million options issued to staff during financial year ending 2020. During FY 2020, 500,000 options were canceled due to employee resignation.

**Share options granted to executives during the financial year.**

There were no options granted to employees during the financial year.

**Share options granted to other parties during the financial year.**

There were no options granted to other parties during the financial year.

## Share Options on Issue at Year End

Details of un-issued shares under option at the date of this report are:

| Grant Date | Date of Expiry | Exercise Price (cents) | Number Under Option |
|---|---|---|---|
| 29 November 2019 | 25 November 2020 | 2 | 1,500,000 |
| 29 November 2019 | 25 November 2021 | 3 | 1,500,000 |
| 31 December 2019 | 31 December 2020 | 2 | 2,250,000 |
| 31 December 2019 | 31 December 2021 | 3 | 2,250,000 |
| | | | **7,500,000** |

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity. There have been no unissued shares or interests in options of any controlled entity within the Group during or since the end of the reporting period. For details of options issued to directors and executives as remuneration, refer to the remuneration report. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## Meetings of Directors

During the financial year, 15 meetings of directors (plus committees of directors) were held. Attendances by each director during the year were as follows:

| Directors | Directors' Meetings | | Audit Committee | |
|---|---|---|---|---|
| | Eligible to attend | Attended | Eligible to attend | Attended |
| Brendan Birthistle | 14 | 14 | 1 | 1 |
| Craig Poole | 3 | 3 | 0 | 0 |
| David Haines | 14 | 14 | 1 | 1 |
| Maureen Smith | 5 | 5 | 0 | 0 |
| Neil Wiles | 6 | 6 | 1 | 1 |

## Proceedings on Behalf of Company

On 16 April 2020, Impelus reached a settlement with the liquidators of Careers Australia Group Limited which the board considered as satisfactory. (See ASX announcement of 12 November 2019 for details of this matter).

## Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named in this report), the company secretary and all executive officers of the Company against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate of the Company against a liability incurred as such an officer or auditor.

## Non-Audit Services

The Board of Directors is satisfied that the general standard of independence for auditors imposed by the *Corporations Act* has been met. No non-audit services were performed during the financial year to 30 June 2020.

## Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 30 June 2020 has been received and can be found on page 18 of this Report.

This report of directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Brendan Birthistle
Non-Executive Chairman
30 September 2020

**IMPELUS LIMITED ABN 24 089 805 416**
**AND CONTROLLED ENTITIES**

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF IMPELUS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

MNSA PTY LTD

**MNSA Pty Ltd**

Daniel

**Sam Danieli**
Sydney
Dated this 30th day of September 2020

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2020

| | Notes | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue from Continuing Operations rendered | 3 | 9,410,601 | 12,074,388 |
| Cost of sales | | (5,720,654) | (6,472,566) |
| | | 3,689,947 | 5,601,822 |
| Interest income | 3 | 5,903 | 17,576 |
| Service providers and commissions | | (45,394) | (40,799) |
| Administration expenses | | (13,246) | (62,087) |
| Finance costs | | (548,511) | (426,109) |
| Depreciation and amortisation expense | | (4,784,792) | (4,198,266) |
| Impairment of intangible assets | | (719,695) | (3,186,007) |
| Impairment of Goodwill | | - | (2,500,000) |
| Impairment for Debtors | 10 | (522,950) | (820,000) |
| Employee benefits expense | 4, 13 | (2,701,283) | (3,335,325) |
| Legal expenses | 4 | (143,074) | (322,258) |
| Amount paid/payable for settlement of legal action | | (90,909) | - |
| Occupancy expenses | | (83,848) | (84,647) |
| Operational expenses | | (526,360) | (899,676) |
| Other expenses from ordinary activities | | (451,636) | (825,036) |
| (Loss) before income tax | | (6,935,848) | (11,080,812) |
| Income Tax benefit | 5 | 415,769 | 363,049 |
| **Net (loss) for the year** | | (6,520,079) | (10,717,763) |
| **Discontinued Operations** | | | |
| **Net (Loss) from Discontinued Operations after tax** | | - | (1,553,895) |
| **Net (Loss) for the year** | | (6,520,079) | (12,271,658) |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | (126,967) | 416 |
| | | (126,967) | 416 |
| **Total comprehensive (Loss) for the year** | | (6,647,046) | (12,271,242) |
| Basic Loss per share (cents per share) | 8 | (0.01) | (0.02) |
| Diluted Loss per share (cents per share) | 8 | (0.01) | (0.02) |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position as at 30 June 2020

| | Notes | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 1,013,091 | 1,206,701 |
| Trade and other receivables | 10 | 1,361,742 | 2,316,581 |
| Other assets | 11 | 727,407 | 1,350,934 |
| Income tax receivable | | - | 74,748 |
| **TOTAL CURRENT ASSETS** | | 3,102,240 | 4,948,964 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | 10 | - | 252,992 |
| Plant and equipment | 16 | 243,893 | 499,695 |
| Deferred tax assets | 19 | - | - |
| Intangible assets | 14 | 3,378,900 | 6,670,800 |
| Right-of-use Assets | 15 | 61,773 | 385,697 |
| Other non-current assets | 11 | 6,300 | 6,300 |
| **TOTAL NON-CURRENT ASSETS** | | 3,690,866 | 7,815,484 |
| **TOTAL ASSETS** | | 6,793,106 | 12,764,448 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 1,792,400 | 1,474,968 |
| Borrowings | 18 | 684,569 | 1,529,698 |
| Short-term provisions | 20 | 582,528 | 541,409 |
| Lease Liability | 20 | 82,461 | 308,394 |
| **TOTAL CURRENT LIABILITIES** | | 3,141,958 | 4,356,954 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 18 | 5,525,000 | 4,362,752 |
| Deferred tax liabilities | 19 | 185,427 | 502,485 |
| Sundry Creditor | | 201 | - |
| Provisions | 20 | - | 39,490 |
| **TOTAL NON-CURRENT LIABILITIES** | | 5,710,628 | 4,402,242 |
| **TOTAL LIABILITIES** | | 8,852,586 | 8,759,196 |
| **NET ASSETS** | | (2,059,480) | 4,005,252 |
| **EQUITY** | | | |
| Issued capital | 21 | 50,896,338 | 50,227,338 |
| Reserves | 22 | 38,887 | 38,887 |
| (Accumulated Losses) | | (52,118,699) | (45,471,653) |
| Foreign currency translation reserve | | (876,006) | (789,320) |
| **TOTAL EQUITY** | | (2,059,480) | 4,005,252 |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows for the Year Ended 30 June 2020

| | Notes | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 9,728,588 | 11,011,334 |
| COVID-19 Stimulus Support | | 137,541 | - |
| Payments to suppliers and employees | | (9,356,219) | (12,726,512) |
| Interest Received | | 5,903 | 17,576 |
| Interest Paid | | (315,436) | (384,914) |
| Income tax Refund | | 225,643 | 115,038 |
| **Net cash provided by/(used in) operating activities** | 24 | 426,020 | (1,967,478) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sales of Clipp | | - | 300,000 |
| Purchase of property, plant and equipment | | (41,505) | (10,987) |
| Costs of developing softwares and performance marketing platforms | | (957,358) | (778,943) |
| **Net cash (used in) investing activities** | | (998,863) | (489,930) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loan Repayment | | (285,854) | (2,168,024) |
| Proceeds from borrowings | | 1,150,000 | 1,120,000 |
| Issue of capital | | - | 1,813,500 |
| Costs of issue of capital | | - | (44,000) |
| Lease Repayment | | (484,913) | (391,643) |
| **Net cash provided by financing activities** | | 379,233 | 329,833 |
| **Net (decrease) in cash held** | | (193,610) | (2,127,575) |
| **Cash at beginning of financial year** | | 1,206,701 | 3,334,276 |
| **Cash at end of financial year** | 9 | 1,013,091 | 1,206,701 |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020

### Consolidated Group

| | Issued Capital | Accumulated Losses | Reserves | Foreign Currency Reserve | Total Equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance as at 30 June 2018** | **48,453,838** | **(33,377,840)** | **98,222** | **(669,103)** | **14,505,117** |
| Issued Capital | 1,817,500 | - | - | - | 1,817,500 |
| Loss for the year | - | (12,271,242) | - | - | (12,271,242) |
| Share issued costs | (44,000) | - | - | - | (44,000) |
| Accumulated Adjustment for Previous Periods | | 177,429 | | | 177,429 |
| Option reserve: options issued | - | - | - | - | - |
| Option reserve: options expired | - | - | (59,335) | - | (59,335) |
| Option reserve: options converting to capital | - | - | - | - | - |
| Foreign exchange (loss) from OCI | - | - | - | (120,217) | (120,217) |
| **Balance as at 30 June 2019** | **50,227,338** | **(45,471,653)** | **38,887** | **(789,320)** | **4,005,252** |
| Issued Capital | 669,000 | - | - | - | 669,000 |
| Loss for the year | - | (6,647,046) | - | - | (6,647,046) |
| Share issued costs | - | | - | - | - |
| Accumulated Adjustment for Previous Periods | - | - | - | - | - |
| Option reserve: options issued | - | - | - | - | - |
| Option reserve: options expired | - | - | - | - | - |
| Option reserve: options converting to capital | - | - | - | - | - |
| Foreign exchange (loss) from OCI | - | - | - | (86,686) | (86,686) |
| **Balance as at 30 June 2020** | **50,896,338** | **(52,118,699)** | **38,887** | **(876,006)** | **(2,059,480)** |

The accompanying notes form part of these financial statements.

## Note 1. Significant Accounting Policies

These consolidated financial statements and notes represent those of Impelus Limited and controlled entities ('**Consolidated Group**' or '**Group**'). The separate financial statements of the parent entity, Impelus Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 30 September 2020 by the directors of the Company.

## Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by International Accounting Standards Board (**IASB**).

Except for cash flow information the 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. Fair Value which is level 3 "unobservable inputs" is determined primarily from inputs reflective of management expectations.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

## A. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Impelus Limited at the end of the reporting period. A controlled entity is any entity over which Impelus Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss. The minority interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

## 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 business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

## Note 1. Significant Accounting Policies (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

## Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i. the consideration transferred;

ii. any non-controlling interest; and

iii. the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

## Note 1. Significant Accounting Policies (continued)

### B. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Impelus Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation.

The head entity, Impelus Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Impelus Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## Note 1. Significant Accounting Policies (continued)

### C. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1.F for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Leasehold improvements | 20% |
| Furniture and fittings | 20% |
| Computer equipment | 33% |
| Internet / website | 33% - 67% |
| Software developed | 33% |
| Software acquired through acquisitions | 20% |

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## Note 1. Significant Accounting Policies (continued)

### D. Leases

The Group has adopted AASB 16 and the date of initial application of AASB 16 for the Group was 1 July 2018.

Except for short term leases and leases of low value assets, the Group applies a single recognition and measurement approach for all leases representing the right to use the underlying asset Right-of-Use recognised at the commencement date of the lease and corresponding lease liabilities measured at the present value of lease payments over the lease term are recognised in the statement of financial position. Depreciation charges of Right-of-Use assets, and interest expenses on the lease liability replaces straight line operating expenses.

### E. 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 Company commits itself to either the purchase or sale of the asset (i.e. 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**

**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 substantially measured at amortised cost using the effective interest rate method.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date (all other loans and receivables are classified as non-current assets).

**iii. Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. 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).

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.

## Note 1. Significant Accounting Policies (continued)

#### iii. Impairment (continued)

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.

#### iv. De-recognition

Financial assets are de-recognised 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 de-recognised 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.

### F. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

### G. Intangible Assets Other Than Goodwill

### Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Software and product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

### H. Foreign Currency Transactions and Balances

### Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

### Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and loss.

## Note 1. Significant Accounting Policies (continued)

## Transaction and Balances (continued)

## Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of that reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss in the period in which the operation is disposed.

## I. Provisions

Provisions are recognised when the Group has legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## J. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

## Equity-settled Compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

## Note 1. Significant Accounting Policies (continued)

### K. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### L. Revenue

In accordance with AASB 15 Revenue from Contract with Customers, revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from rendering services is recognised at a point in time in the period in which the service is rendered. Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of Goods and Services Tax (**GST**).

### M. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the period in which they are incurred.

### N. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (**ATO**).

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 ATO is included with other receivables or payables in the statement of financial position.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### O. New and Amended accounting policies adopted by the Group and New Accounting Standards for application in future periods

AASB 16 (Leasing 16)

The Group early adopted AASB 16 in the 2019 Financial statements. The date of initial application of AASB 16 for the Group was 1 July 2018.

The adopting of AASB 16 in 2019 means lease payments are not recognised as Occupational Expense and removed from the calculation of EBITDA. The value of the lease contracts is capitalised as Right-of-use assets and is depreciated through the contract terms.

There are no standards that are yet effective and that would be expected to have material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 1. Significant Accounting Policies (continued)

## P. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

## Q. Critical Accounting Estimates and Judgment

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Estimation Uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenditures is provided below. Actual results may be substantially different.

**Key Estimates – Impairment**

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the value-in-use calculations which incorporate various key assumptions.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Due to COVID-19 impact, management has adjusted the assumptions for future operating results to reflect the revenue decline and recovery period.

**Useful Lives of Depreciable Assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

**Utilisation of Tax Losses**

The Group and its wholly-owned Australian subsidiaries elected to join as members of a tax consolidated group under Australiana taxation law as of 1 July 2012. Each entity in the tax consolidated group contributed tax losses to the Group. The Group has no tax losses to currently utilise.

## Note 1. Significant Accounting Policies (continued)

### R. Going Concern

The financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlements of liabilities will occur in the normal course of business.

As at 30 June 2020, the Group had net current assets of ($39,718) (Jun 2019: $592,010). During the year the group cash at bank reduced by $193,610 (Jun 2019 reduced by $2,127,575) due to the weak performance and COVID-19 impacts.

The depreciation & Amortisation expenses are $4,784,792 (Jun 2019: $4,198,266).

A non-operating loss (Impairment charges) ($719,695) (Jun 2019: ($5,686,007)) has been recorded.

The ability of the Company to continue as a going concern is dependent upon the pace of recovery from COVID-19, increased revenue for the Australian operations, continued vigilance in relation to cost control, capital raising and continued financial support by Directors. The Group's bank has agreed to extend the terms of the loan on favourable terms, which has been reflected on the Balance Sheets liabilities. Across the reporting period the UK operations have continued to trade well and showed resilience to COVID-19 and remain cash flow positive.

The directors believe the Group will be able to pay its debts as and when they fall due and to fund near term anticipated activities due to implementing the above strategies.

The Company is also regularly considering whether to undertake fundraising initiatives in order to ensure that it has the financial capacity to progress its business activities.

Accordingly, in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, and that it is appropriate to prepare these accounts on a going concern basis.

As a result, the accounts have been prepared on the basis that the consolidated entity can meet its commitments as and when they fall due and can therefore continue business activities and can realise its assets and extinguish its liabilities in the ordinary course of business.

## Note 2: Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Statement of Financial Position** | | |
| **Assets** | | |
| Current assets | - | - |
| **Total current assets** | - | - |
| Non-current assets | 3,460,347 | 3,527,122 |
| **Total non-current assets** | 3,460,347 | 3,527,122 |
| **Total assets** | 3,460,347 | 3,527,122 |
| **Liabilities** | | |
| Current liabilities | - | 2,459,181 |
| **Total current liabilities** | - | 2,459,181 |
| Non-current liabilities | - | - |
| **Total non-current liabilities** | - | - |
| **Total liabilities** | - | 2,459,181 |
| **Net Assets** | 3,460,347 | 1,067,941 |
| **Equity** | | |
| Issued capital | 50,896,338 | 50,227,338 |
| Accumulated losses | (46,971,028) | (48,694,434) |
| Reserve | 38,887 | 38,887 |
| **Total Equity** | 3,964,197 | 1,571,791 |
| **Foreign currency translation reserve** | (503,850) | (503,850) |
| **Total comprehensive income** | 3,460,347 | 1,067,941 |

**Guarantees**
Impelus Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

**Contractual Commitments**

At 30 June 2020, Impelus Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

## Note 3: Revenue and Other Income

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Revenue from continuing operations** | | |
| Sales revenue: | | |
| Revenue from services rendered | 9,410,601 | 12,074,388 |
| Interest received: | | |
| Other persons | 5,903 | 17,576 |
| **Total revenue** | 9,416,504 | 12,091,964 |

## Note 4. (Loss) for the Year

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **A. Expenses** | | |
| Borrowing expenses: | | |
| Interest expense | 548,511 | 461,853 |
| **Total borrowing expense** | 548,511 | 461,853 |
| | | |
| Legal expenses: | | |
| Legal fees | 143,074 | 322,258 |
| **Total legal expenses** | 143,074 | 322,258 |
| | | |
| Amortisation and impairment of intangible assets: | | |
| Software and website development | 4,253,637 | 3,593,852 |
| Impairment of intangible assets | 719,695 | 6,583,739 |
| **Total amortisation and impairment** | 4,973,332 | 10,177,591 |
| | | |
| Depreciation of non-current assets: | | |
| Computer equipment | 14,621 | 59,519 |
| Furniture and fixtures | 62,641 | 89,886 |
| Leasehold improvements | 181,637 | 182,752 |
| Right-of-use Asset | 272,257 | 272,257 |
| **Total depreciation** | 531,156 | 604,414 |
| | | |
| Rental expense: | | |
| Rental expense on operating leases UK | 67,678 | 72,361 |
| **Total rental expense** | 67,678 | 72,361 |
| | | |
| Capitalised employee salaries: | | |
| Capitalised international development | 638,970 | 461,028 |
| Capitalised Performance marketing platform development | 318,387 | 317,914 |
| **Total capitalised employee salaries** | 957,357 | 778,942 |
| | | |
| Employee benefits expense: | | |
| Employee benefits expense from Continuing Operations | 2,563,742 | 3,246,755 |
| Government Subsidies | 137,541 | - |
| Employee benefits expense from Discontinuing Operations | - | 88,570 |
| **Total employee benefits expense** | 2,701,283 | 3,335,325 |

## Note 5. Income Tax Expense

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| a. The components of income tax expense / (credit) comprise: | | |
| Current Tax | 21,254 | (75,276) |
| Deferred Tax | - | (304,548) |
| Under / (Over) provision of tax from prior years | (437,023) | 16,775 |
| | (415,769) | (363,049) |
| b. The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense / (benefit) as follows: | | |
| Prima facie tax on Profit / (Loss) before income tax at 27.5% | (1,973,611) | (3,549,820) |
| Tax effect of: | | |
| Difference in tax rate | (9,508) | - |
| Other non-deductible items | 1,245,000 | 1,106,734 |
| Other deductible items | (585,442) | (1,334,794) |
| Other non-allowable items | 63,353 | 2,182,581 |
| Tax Losses not available for utilisation | 1,281,462 | |
| Carried forward tax losses utilised | - | 1,520,023 |
| Movements in Deferred Taxes | - | (304,548) |
| R&D Concession Refund | (437,023) | - |
| Under / (Over) provision of tax from prior years | - | 16,775 |
| Income tax attributable to entity | (415,769) | (363,049) |

## Note 6. Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2020.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

| | **FY 2020** | **FY 2019** |
|---|---|---|
| Short-term employee benefits | 402,431 | 678,462 |
| Post-employment benefits | 30,138 | 48,542 |
| Termination Payment | - | - |
| | 432,569 | 727,004 |

## Note 6. Interests of Key Management Personnel (KMP) (continued)

### KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

| 30 June 2020 | Balance at Beginning of Year | Granted as Remuneration During the Year | Other Changes During the Year | Balance at End of Year | Vested During the Year | Vested and Exercisable |
|---|---|---|---|---|---|---|
| Brenden Birthistle | - | - | - | - | - | - |
| David Haines | - | - | - | - | - | - |
| Neil Wiles | - | - | - | - | - | - |
| Simon Allison | - | - | - | - | - | - |
| Maureen Smith | - | 400,000 | - | 400,000 | - | - |
| Felix Chen | - | 300,000 | - | 300,000 | - | - |
| | - | 700,000 | - | 700,000 | - | - |
| **30 June 2019** | | | | | | |
| Brenden Birthistle | - | - | - | - | - | - |
| David Haines | - | - | - | - | - | - |
| Neil Wiles | - | - | - | - | - | - |
| Simon Allison | - | - | - | - | - | - |
| | - | - | - | - | - | - |

### KMP Shareholdings

The number of ordinary shares held in Impelus Limited by each key management personnel of the Group during the financial year is as follows:

| 30 June 2020 | Balance at Beginning of the Year | Granted as Remuneration During the Year | Other Changes During the Year | Balance at End of Year |
|---|---|---|---|---|
| David Haines | 565,000 | - | - | 565,000 |
| Brendan Birthistle | 158,963,636 | - | 111,129,568 | 270,093,204 |
| Neil Wiles (1) | 21,283,000 | - | (21,283,000) | - |
| Simon Allison (2) | 1,500,000 | - | (1,500,000) | - |
| Maureen Smith | 400,000 | - | - | 400,000 |
| Felix Chen | - | - | - | - |
| | 182,711,636 | - | 88,346,568 | 271,058,204 |
| **30 June 2019** | | | | |
| David Haines | 415,000 | - | 150,000 | 565,000 |
| Brendan Birthistle | 136,922,000 | - | 22,041,636 | 158,963,636 |
| Neil Wiles | 20,283,000 | - | 1,000,000 | 21,283,000 |
| Simon Allison | 1,500,000 | - | - | 1,500,000 |
| | 159,120,000 | - | 23,191,636 | 182,311,636 |

(1) Mr Neil Wiles resigned as a director on 15 November 2019 and has continued as a member of the management team from that date. The change of shareholdings was to reflect his resignation during reporting period. His shareholdings remained 21,283,000 as at 30 June 2020.
(2) Mr Simon Allison resigned as Chief Financial Officer on 6 May 2020. The change of shareholdings was to reflect his resignation during reporting period. His shareholdings remained 1,500,000 as at 30 June 2020.

## Note 6. Interests of Key Management Personnel (KMP) (continued)

### Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 29: Related Party Transactions.

## Note 7. Auditors' Remuneration

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

| | Consolidated Group | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Audit Services | | |
| Auditor's Remuneration, auditing or reviewing the financial reports: | | |
| Group Auditors | 75,064 | 75,000 |
| Other non-related Auditors | 2,719 | 4,736 |
| | 77,783 | 79,736 |

## Note 8. Earnings Per Share

| | | Consolidated Group | |
|---|---|---|---|
| A. | Reconciliation of earnings to profit or loss: | 2020 $ | 2019 $ |
| | (Loss) / Profit | (6,647,046) | (12,271,242) |
| | (Loss) / Profit attributable to non-controlling equity interest | | |
| | Earnings used to calculate basic EPS | (6,647,046) | (12,271,242) |
| | Earnings used in the calculation of dilutive EPS | (6,647,046) | (12,271,242) |
| B. | Reconciliation of earnings to profit or loss from continuing operations: | | |
| | Profit from continuing operations | (6,647,046) | (10,717,347) |
| | Profit attributable to non-controlling equity interest in respect of continuing operations | | |
| | Earnings used to calculate basic EPS from continuing operations | (6,647,046) | (10,717,347) |
| | Earnings used in the calculation of dilutive EPS from continuing operations | (6,647,046) | (10,717,347) |
| C. | Reconciliation of earnings to profit or loss from discontinued operations: | | |
| | Loss from discontinued operations | - | (1,553,895) |
| | Loss attributable to non-controlling equity interest | | - |
| | Earnings used to calculate basic EPS from discontinued operations | - | (1,553,895) |
| | | No. | No. |
| D. | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 723,750,348 | 589,454,417 |
| | Weighted average number of dilutive options outstanding | 4,133,731 | 4,012,868 |
| | Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 727,884,079 | 593,467,285 |

## Note 9. Cash and Cash Equivalents

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| Cash at bank and in hand | 723,530 | 918,196 |
| Deposits at call | 289,561 | 288,505 |
| | 1,013,091 | 1,206,701 |

The effective interest rate on at call bank deposits was 0.32% (2019: 2.18%).

## Note 10. Trade and Other Receivables

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Current** | | |
| Trade receivables | 806,619 | 2,785,014 |
| Provision for Doubtful Debts | (35,469) | - |
| Provision for impairment | - | (820,000) |
| | 771,150 | 1,965,014 |
| Other receivables | 590,592 | 351,567 |
| **Trade and other receivables** | 1,361,742 | 2,316,581 |
| **Non – current** | | |
| Other receivables | - | 252,992 |

**Credit Risk — Trade and Other Receivables**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in Note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon.

Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

## Note 10. Trade and Other Receivables (continued)

| Consolidated Group | Gross Amount $ | Past Due and Impaired $ | Past Due but not Impaired | | | | Within Initial Trade Terms $ |
|---|---|---|---|---|---|---|---|
| | | | <30 days $ | 31–60 days $ | 61–90 days $ | >90 days $ | |
| **2020** | | | | | | | |
| Trade & term receivables | 771,150 | (35,469) | 185,865 | 60,162 | 66,852 | 80,548 | 413,192 |
| Other receivables | 590,592 | - | 177,652 | - | - | 412,940 | - |
| | **1,361,742** | **(35,469)** | **363,517** | **60,162** | **66,852** | **493,488** | **413,192** |
| **2019** | | | | | | | |
| Trade & term receivables | 1,965,014 | (820,000) | 606,995 | 159,338 | 61,980 | 279,994 | 856,707 |
| Other receivables | 351,567 | - | 245,126 | - | 3,643 | 102,798 | - |
| | **2,316,581** | **(820,000)** | **852,121** | **159,338** | **65,623** | **382,792** | **856,707** |

| Movement of Provision for Impairment of Debtors | FY 2020 $ |
|---|---|
| Opening Balance as at 1 July 2019 | $820,000 |
| Provision utilised in FY 2020[(1)] | ($820,000) |
| Closing Balance as at 30 June 2020 | $0 |
| | |
| Additional Impairment of Debtors recognised as current expenses[(2)] | $522,950 |

(1) Provision utilisation: CareerOne Pty Ltd $329,823, Eggmobi Pty Ltd $194,959, Optus Pty Ltd $66,048, Contact Centres Australia Pty Ltd $58,058. Directors considered the collectibility of receivables, and have written off balances from customers where there is no chance of recovery. These debts related to amounts impaired In previous periods.
(2) Additional Impairment: The amount includes a receivable Of $207,135 owed by Optus, relating to unpaid Direct Carrier Billing income. The debt is disputed by Optus, and as a result an impairment charge has been taken on the receivable. Other smaller receivables have been also impaired."

As a result of the current pandemic, which has significantly impacted our trading environment and customers, the Group continually reviews the allowance for doubtful debts by updating the assessment of risk of default since recognition.

The Group nor the parent entity does not hold any financial assets with terms that have been negotiated which would otherwise be past due or impaired.

## Note 11. Other Assets

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| **A. Current** | | |
| Prepayments | **727,407** | 1,350,934 |
| **B. Non-Current** | | |
| Formation costs | **6,300** | 6,300 |

## Note 12. Controlled Entities

### Controlled Entities Consolidated

| Name of Entity | Country of Incorporation | Ownership Interest 2020 % | 2019 % |
|---|---|---|---|
| **Parent Entity:** | | | |
| Impelus Limited | Australia | | |
| **Subsidiaries of Impelus Limited:** | | | |
| Global One Mobile Entertainment Pty Ltd | Australia | **100** | 100 |
| Divolution Limited | Australia | **100** | 100 |
| 1st Screen Pty Limited | Australia | **100** | 100 |
| 6G Pty Ltd | Australia | **100** | 100 |
| Lead proof Pty Ltd (formerly 7A Pty Ltd) | Australia | **100** | 100 |
| 8Z Pty Ltd | Australia | **100** | 100 |
| Convey Pty Ltd (formerly Level 3 Pty Ltd) | Australia | **100** | 100 |
| Mobipay Pty Ltd (formerly Convey Pty Ltd) | Australia | **100** | 100 |
| Convey Global Pte Ltd | Singapore | **100** | 100 |
| The Performance Factory Pty Ltd | Australia | **100** | 100 |
| C2B Solutions Pty Ltd | Australia | **100** | 100 |
| Impelus EMEA Limited (formerly Eggmobi UK Limited) | UK | **100** | 100 |
| ADDGLU Pty Ltd (formerly Vizmond Pty Ltd) | Australia | **100** | 100 |
| Vizmond Media Pty Ltd | Australia | **100** | 100 |
| Marketing Punch Limited | UK | **100** | 100 |
| Impelus APAC Pty Ltd (formerly Marketing Punch Pty Ltd) | Australia | **100** | 100 |

## Note 13. Affects of Pandemic (COVID-19) in the financial report

Since late March 2020 the global economy has been hit heavily by COVID-19. The Digital Marketing sector has been negatively impacted and Impelus has likewise been severely affected.

During April and May Australian revenue plummeted by 90%. In the fourth quarter of FY 2020 UK revenue has also declined by 30% compared to the same period of FY 2019.

Through the efforts of our employees, together with Government support, the Australian operation started to recover from June 2020. The UK operation is also beginning to improve from July 2020.

During FY 2020 Impelus has received in total $137,541 support from the Australian and UK Governments including the JobKeeper Program in Australia and the Job Retention Scheme in the UK. This support has reduced the pressure on Impelus while helping to maintain a positive monthly net cash flow in the last quarter of FY 2020.

## Note 14. Intangible Assets

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Software systems from acquisitions | 8,973,654 | 8,973,654 |
| Accumulated amortisation | (5,827,352) | (3,691,558) |
| Provision for Impairment | (1,046,972) | (1,046,972) |
| Net carrying value | 2,099,330 | 4,235,124 |
| | | |
| Software development | 12,888,032 | 12,242,778 |
| Accumulated amortisation | (11,421,735) | (9,620,375) |
| Provision for Impairment | (186,727) | (186,727) |
| Net carrying value | 1,279,570 | 2,435,676 |
| | | |
| Content and web development costs | 74,649 | 74,649 |
| Accumulated amortisation | (74,649) | (74,649) |
| Net carrying value | - | - |
| | | |
| **Total Intangibles** | 3,378,900 | 6,670,800 |

## Movements in Carrying Amounts

Movement in the carrying amount for each class of intangible assets between the beginning and the end of the current year.

| **Consolidated Group:** | **Software and Development** | **Total** |
|---|---|---|
| | **$** | **$** |
| **Year ended 30 June 2019** | | |
| Balance at the beginning of the year | 10,129,446 | 10,129,446 |
| **Additions: external acquired** | | |
| Software | | |
| **Additions: internally developed** | | |
| Software | 778,942 | 778,942 |
| Disposals | (1,209,851) | (1,209,851) |
| FX Difference | 310,860 | 310,860 |
| Amortisation / impairment | (3,338,597) | (3,338,597) |
| | **6,670,800** | **6,670,800** |
| | | |
| **Year ended 30 June 2020** | | |
| Balance at the beginning of the year | 6,670,800 | 6,670,800 |
| **Additions: external acquired** | | |
| Software | - | - |
| **Additions: internally developed** | | |
| Software | 801,662 | 801,662 |
| Disposals | - | - |
| FX Difference | 160,074 | 160,074 |
| Amortisation / impairment | (4,253,636) | (4,253,636) |
| | **3,378,900** | **3,378,900** |

## Note 14. Intangible Assets (Continued)

## Impairment Testing for Intangible Assets

The recoverable amounts of the cash generating units were determined based on the value-in-use calculations covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates determined by management. The present value of the expected cash flows for this segment is determined by applying a suitable discount rate.

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and a range of market growth rates for FY 2020. Management has assumed expenses grow by 1% year on year. The discount rate is based on the WACC for the Company.

## Growth rates

Management assumes 6% growth for FY 2021, 1% growth for FY 2022, 1% growth for FY 2023, 1% growth for FY 2024, 1% growth for FY 2025.

## Cash flow assumptions

Due to COVID-19 impact, management has adjusted the assumptions for future operating results to reflect the revenue decline and recovery period.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## Applying discount rate of 15%

| Growth Rate | Cash generating unit | CGU Software | NPV of cash flow |
|---|---|---|---|
| 1% | MP UK | 2,787,231 | 3,853,295 |
| 5% | MP UK | 2,787,231 | 3,961,266 |
| 10% | MP UK | 2,787,231 | 4,100,935 |

| Growth Rate | Cash generating unit | CGU Software | NPV of cash flow |
|---|---|---|---|
| 1% | IMS APAC | 560,755 | 307,175 |
| 5% | IMS APAC | 560,755 | 442,942 |
| 10% | IMS APAC | 560,755 | 659,330 |

## Applying discount rate of 20%

| Growth Rate | Cash generating unit | CGU Software | NPV of cash flow |
|---|---|---|---|
| 1% | MP UK | 2,787,231 | 3,274,577 |
| 5% | MP UK | 2,787,231 | 3,359,469 |
| 10% | MP UK | 2,787,231 | 3,469,230 |

| Growth Rate | Cash generating unit | CGU Software | NPV of cash flow |
|---|---|---|---|
| 1% | IMS APAC | 560,755 | 254,217 |
| 5% | IMS APAC | 560,755 | 363,711 |
| 10% | IMS APAC | 560,755 | 537,752 |

## Note 15. Right-of-use Assets

Below table shows the depreciation schedule for Right-of-use asset, which is recognized by adopting AASB 16. The value of the asset is assessed based on lease commitment for FY20 to FY21 and an incremental borrowing rate of 6%. Due to the rent abatement from the landlord in regards to COVID-19, the ending balance of Right-of-use asset in FY 2020 has been adjusted to $61,773.

| | Right-of-use asset | | | |
|---|---|---|---|---|
| | Beginning Balance | Depreciation Charge | Abatement Adjustment | Ending Balance |
| Year | $ | $ | $ | $ |
| FY 2020 | $385,697 | ($272,257) | ($51,667) | $61,773 |
| FY 2021 | $61,773 | ($61,773) | - | - |

## Note 16. Plant and Equipment

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Computer equipment** | | |
| At cost | 727,017 | 726,498 |
| Accumulated depreciation | (716,350) | (703,168) |
| | 10,667 | 23,330 |
| **Furniture and fittings** | | |
| At cost | 561,258 | 562,764 |
| Accumulated depreciation | (506,045) | (444,914) |
| | 55,213 | 117,850 |
| **Leasehold improvements** | | |
| At cost | 1,057,151 | 1,057,238 |
| Accumulated depreciation | (879,138) | (698,826) |
| | 178,013 | 358,412 |
| **Motor vehicle** | | |
| At cost | 62,956 | 63,387 |
| Accumulated depreciation | (62,956) | (63,387) |
| | - | - |
| **Other** | | |
| At cost | - | 103 |
| Accumulated depreciation | - | - |
| | - | 103 |
| **Total plant and equipment** | 243,893 | 499,695 |

## Movements in Carrying Amounts

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

| **Consolidated Group:** | **Computer Equipment** | **Furniture and Fittings** | **Leasehold Improvements** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 July 2018 | 83,409 | 201,004 | 538,236 | 103 | 822,752 |
| Additions | 5,854 | - | 5,133 | - | 10,987 |
| Disposals | (5,100) | - | - | - | (5,100) |
| Depreciation expense | (59,519) | (89,886) | (182,752) | - | (332,157) |
| FX Difference | (1,314) | 6,732 | (2,205) | - | 3,213 |
| **Balance at 30 June 2019** | 23,330 | 117,850 | 358,412 | 103 | 499,695 |
| Balance at the beginning of year | 23,330 | 117,850 | 358,412 | 103 | 499,695 |
| Additions | 797 | - | - | - | 797 |
| Disposals | - | - | - | (103) | (103) |
| Depreciation expense | (14,621) | (62,641) | (181,637) | - | (258,899) |
| FX Difference | 1,161 | 4 | 1,238 | - | 2,403 |
| **Closing value at 30 June 2020** | 10,667 | 55,213 | 178,013 | - | 243,893 |

## Note 17. Trade and Other Payables

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Current** | | |
| Trade Payables | 1,125,078 | 935,868 |
| Sundry payables and accrued expenses | 667,322 | 539,100 |
| | 1,792,400 | 1,474,968 |

## Note 18. Borrowings

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current** | | |
| Bank Loan - Secured(1) | 334,569 | 329,698 |
| Bank Facility – Secured(1) | 350,000 | 1,200,000 |
| | 684,569 | 1,529,698 |
| **Non-current** | | |
| Bank Loan - Secured(1) | - | 267,752 |
| Bank Facility - Secured(1) | 3,875,000 | 2,975,000 |
| Director's Loan(2) | 1,650,000 | 1,120,000 |
| | 5,525,000 | 4,362,752 |

(1) The Group's financial facilities consist of $4,559,569 (FY2019: $4,772,450).
A total of $334,569 in facilities has a maturity date of 1 October 2021 and $4,225,000 has a maturity date of 22 July 2022. Facility interest is payable monthly. Facilities are secured. Interest rates payable under the bank facilities are based on BBSY rates plus margin. For information about the Group's exposure to interest rates refer to Note 32A.

(2) Director's Loan refer to Note 29.

## Note 19. Tax

| **Consolidated Group:** | **Opening Balance** | **Charged to Income** | **Charged to Equity** | **Prior Year Adjustment** | **Closing Balance** |
|---|---|---|---|---|---|
| **Deferred Tax** | | | | | |
| Accrued Expenses | - | - | | | - |
| Fixed Assets | (1,798,264) | 515,416 | | | (1,282,848) |
| Provisions | 1,249,412 | (903,089) | | | 346,323 |
| Share issue costs | 46,367 | (46,367) | | | - |
| Losses | - | 751,098 | | | 751,098 |
| Tax offsets (R&D) | - | - | | | - |
| Balance at 30 June 2020 | **(502,485)** | **(317,058)** | | | **(185,427)** |

Deferred Tax Assets not brought to account include the following:

| | |
|---|---|
| **Capital losses:** | **11,724,271** |

## Note 20. Provisions

**Short term employee benefits:**

| | 2020 $ | 2019 $ |
|---|---|---|
| Opening balance at beginning of financial year | 426,356 | 495,025 |
| Additional provisions | 140,860 | 230,019 |
| Amounts used | (92,055) | (298,688) |
| Balance at end of financial year | 475,161 | 426,356 |

## Note 20. Provisions (continued)

**Short term Provisions:**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Analysis of total provisions** | | |
| Current | | |
| Provision for employee benefits | 475,161 | 399,929 |
| Provision for bonus | - | - |
| Employment related ATO provision | 55,180 | 141,480 |
| Income Tax Payable | 52,187 | - |
| Total | 582,528 | 541,409 |
| | | |
| Non- current | | |
| Provision for Employee Benefits | - | 39,490 |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

**Lease Liability**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Lease Liability - Office | 82,461 | 308,394 |

## Note 21. Issued Capital

| | Consolidated Group | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Ordinary shares** | | |
| 803,346,086 (2019: 692,216,518) fully paid ordinary shares | 50,896,338 | 50,227,338 |

| | No. | No. |
|---|---|---|
| **A. Ordinary shares** | | |
| At the beginning of the reporting period | 692,216,518 | 540,927,882 |
| Shares issued during the year | 111,129,568 | 151,288,636 |
| At reporting date | 803,346,086 | 692,216,518 |

Options issued: During the financial year ending 30 June 2020: nil options were exercised at various exercise prices.

Capital raised: On 4 Feb 2020, the Company issued 111,129,568 fully paid ordinary shares upon conversion of convertible notes to Mr. Brendan Birthistle indirect holdings under Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>.

The Company has secured a further loan of $150,000 from Brendan Birthistle, Chairman, to meet ongoing working capital requirements. The loan attracts interest at a rate of 13.71% per annum and matures on 15 December 2022. The loan is unsecured and no equity is being issued in respect of the loan.

## Note 21. Issued Capital (continued)

### A. Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### B. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

### C. Options

For information relating to the Impelus Limited employee option plan including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 26: Share Based Payments.

For information relating to share options issued to Key Management personnel during the financial year, refer to Note 6: Interests of Key Management Personnel (**KMP**).

## Note 22. Reserves

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Employee equity settled benefits** | | |
| Opening balance | - | 48,722 |
| Expensed during the year | - | - |
| Forfeited during the year | - | (48,722) |
| Exercised during the year | - | - |
| Closing balance | - | - |
| **Other equity settled benefits** | | |
| Opening balance | 38,887 | 49,500 |
| Granted / exercised during the year | - | - |
| Forfeited during the year | - | (10,613) |
| Closing balance | 38,887 | 38,887 |
| At reporting date | 38,887 | 38,887 |

Employee equity settled benefits reserve arises on the grant of share options to employees under the Impelus Limited Employee Share Option Plan. Amounts are transferred out of the reserve into issued capital when the options are exercised. Further information about share based payments to employees is in Note 26 to the financial statements.

## Note 23. Operating Segments

## A. Identification of Reportable Segments

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 Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and / or services provided by segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

## B. Types of Products and Services by Segment

**i. Performance Marketing**

The Company through its DPM customer generation platforms and other infrastructure, enables businesses to acquire customers at scale. The Company utilises its proprietary and integrated partner technology, tools and data assets from its offices in the UK and Australia to seamlessly connect and engage consumers with products they value, enabling better customer generation for businesses via digital channels and devices.

**ii. Direct Carrier Billing**

The Company enables itself and its partners integrated customer acquisition, management and carrier billing via mobile devices. Consumers seamlessly engage with digital product and service offers and utilise carrier billing to conveniently pay for them on their mobile devices.

## Note 23. Operating Segments (continued)

## C. Basis of Accounting for Purposes of Reporting by Operating Segments

### i. Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statement of the Group.

### ii. Intersegment Transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is the representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

### iii. Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

### iv. Segment Liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

### v. Unallocated Items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities; and
- intangible assets.

## Note 23. Operating Segments (continued)

## D. Segment Performance

| 30 June 2020 | Direct Carrier Billing $ | Performance Marketing $ | Total $ |
|---|---|---|---|
| **REVENUE** | | | |
| External sales | 344,324 | 9,066,277 | 9,410,601 |
| Interest revenue | 4,600 | 1,303 | 5,903 |
| **Total segment revenue** | 348,924 | 9,067,580 | 9,416,504 |
| **Segment gross profit** | 292,589 | 3,403,261 | **3,695,850** |
| **Segment net profit / (loss) before tax** | (233,407) | 494,176 | 260,769 |
| Reconciliation of segment result to group net profit / loss before tax | | | |
| Amounts not included in segment results but reviewed by the Board: | | | |
| Depreciation and amortisation and impairment | | | (5,964,615) |
| Unallocated items: | | | |
| Corporate charges | | | (1,232,002) |
| **Net profit / (loss) before tax** | | | **(6,935,848)** |

| 30 June 2019 | Direct Carrier Billing $ | Performance Marketing $ | Clipp $ | Total $ |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 1,105,953 | 10,223,745 | 744,690 | 12,074,388 |
| Interest revenue | 8,999 | 8,564 | 13 | 17,576 |
| **Total segment revenue** | 1,114,952 | 10,232,309 | 744,703 | 12,091,964 |
| **Segment gross profit** | 1,017,486 | 4,493,329 | 11,117 | **5,521,932** |
| **Segment net profit / (loss) before tax** | (299,011) | 1,560,477 | (38,866) | 1,222,600 |
| Reconciliation of segment result to group net profit / loss before tax | | | | |
| Amounts not included in segment results but reviewed by the Board: | | | | |
| Depreciation and amortisation and impairment | | | | (12,226,173) |
| Unallocated items: | | | | |
| Corporate charges | | | | (1,581,981) |
| **Net profit / (loss) before tax** | | | | **(12,634,706)** |

## Note 23. Operating Segments (continued)
## E. Segment Asset

| **30 June 2020** | **Direct Carrier Billing $** | **Performance Marketing $** | **Total $** |
|---|---|---|---|
| Segment assets | 914,916 | 4,858,799 | 5,773,715 |
| Unallocated assets: | | | |
| Cash at bank | - | - | 723,530 |
| Term deposit | - | - | 289,561 |
| Deferred tax assets | - | - | - |
| Other | - | - | 6,300 |
| **Total group assets** | **-** | **-** | **6,793,106** |

| **30 June 2019** | **Direct Carrier Billing $** | **Performance Marketing $** | **Total $** |
|---|---|---|---|
| Segment assets | 3,198,063 | 8,353,384 | 11,551,447 |
| Unallocated assets: | | | |
| Cash at bank | - | - | 918,196 |
| Term deposit | - | - | 288,505 |
| Deferred tax assets | - | - | - |
| Other | - | - | 6,300 |
| **Total group assets** | - | - | **12,764,448** |

## F. Segment Liabilities

| **30 June 2020** | **Direct Carrier Billing $** | **Performance Marketing $** | **Total $** |
|---|---|---|---|
| Segment liabilities | 645,176 | 1,199,612 | 1,844,788 |
| Unallocated liabilities: | | | |
| Income tax payable | - | - | - |
| Short term provisions | - | - | 612,802 |
| Borrowings | - | - | 6,209,569 |
| Deferred Tax Liability | - | - | 185,427 |
| **Total group liabilities** | - | - | **8,852,586** |

| **30 June 2019** | **Direct Carrier Billing $** | **Performance Marketing $** | **Total $** |
|---|---|---|---|
| Segment liabilities | 598,599 | 915,859 | 1,514,458 |
| Unallocated liabilities: | | | |
| Income tax payable | - | - | - |
| Short term provisions | - | - | 849,803 |
| Borrowings | - | - | 5,892,450 |
| Deferred Tax Liability | - | - | 502,485 |
| **Total group liabilities** | | | **8,759,196** |

## Note 23. Operating Segments (continued)

### G. Revenue by Geographical Region

| Revenue attributable to external customers is disclosed below, based on the location of the external customer | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Australia | 3,871,185 | 5,553,542 |
| Bahrain DC Billing | (65) | 461 |
| Norway DC Billing | - | 4,717 |
| Singapore DC Billing | 30,188 | 103,024 |
| Switzerland DC Billing | 90,449 | 159,838 |
| United Arab Emirates DC Billing | - | 7,433 |
| United Kingdom DC Billing | 223,752 | 659,377 |
| United Kingdom Performance Marketing | 5,195,092 | 5,585,996 |
| **Total revenue** | 9,410,601 | 12,074,388 |

### H. Assets by Geographical Region

| The location of segment assets by geographical location of the assets is disclosed below: | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Australia | 4,241,118 | 9,224,259 |
| United Kingdom | 2,537,869 | 3,517,203 |
| Singapore | 14,119 | 22,986 |
| **Total segment assets** | 6,793,106 | 12,764,448 |

### I. Major Customers

Performance Marketing AU, Audika Australia, accounted for 19% of external revenue.

Performance Marketing UK, no one customer accounted for over 6% of external revenue.

## Note 24. Cash Flow Information

A. Reconciliation of Cash Flow (used in) / from operations with profit / (loss) after income tax

| | Consolidated Group | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| (Loss) from ordinary activities after income tax | (6,520,079) | (12,271,242) |
| | | |
| Non-cash flows in profit / (loss) from ordinary activities: | | |
| Depreciation | 4,784,792 | 3,943,011 |
| Amortisation / impairment of intangibles | - | - |
| Impairment | 1,242,645 | 5,686,007 |
| Loss on sale of subsidiary | - | 1,515,029 |
| Share option | - | - |
| Employee entitlements | 92,054 | 298,688 |
| Bad debts | (748,311) | 907,324 |
| | | |
| Decrease / (increase) in receivables | 1,978,395 | 715,273 |
| Decrease / (increase) in other current assets | (147,037) | 602,870 |
| Decrease / (increase) in other assets | (655,232) | 1,157,374 |
| Increase / (decrease) in trade creditors | 78,849 | (602,994) |
| Increase / (decrease) in provisions | 460,069 | (3,459,392) |
| Increase / (decrease) in current liabilities | 50,000 | - |
| Increase / (decrease) in tax | (190,125) | (459,426) |
| | | |
| Cash flow from / (used in) operations | 426,020 | (1,967,478) |

## Note 25. Share Based Payments

i. The following share-based payments were made during the financial year 2020: nil.

ii. A summary of the movements of all companies' options issued is as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Options outstanding as at 30 June 2010** | **12,850,000** | **$0.0619** |
| Granted | - | - |
| Forfeited | (200,000) | $0.0375 |
| Exercised | - | - |
| Expired | (3,000,000) | $0.1128 |
| **Options outstanding as at 30 June 2011** | **9,650,000** | **$0.0466** |
| Granted | 12,800,000 | $0.0203 |
| Forfeited | - | - |
| Exercised | - | - |
| Expired | (6,650,000) | $0.0375 |
| **Options outstanding as at 30 June 2012** | **15,800,000** | **$0.0295** |
| Granted | 16,250,000 | $0.0130 |
| Forfeited | (3,000,000) | $0.0688 |
| Exercised | - | - |
| **Options outstanding as at 30 June 2013** | **29,050,000** | $0.0393 |
| Granted | 9,225,000 | $0.0224 |
| Forfeited | - | - |
| Exercised | (15,200,000) | $0.0201 |
| **Options exercisable as at 30 June 2014** | **23,075,000** | $0.0129 |
| Granted | 19,197,334 | $0.1618 |
| Forfeited | (550,000) | $0.0000 |
| Exercised | (8,565,000) | $0.0258 |
| **Options exercisable as at 30 June 2015** | **33,157,334** | $0.0985 |
| Granted | 17,500,000 | $0.3310 |
| Forfeited | - | - |
| Exercised | (6,077,500) | $0.0251 |
| **Options exercisable as at 30 June 2016** | **44,579,834** | $0.1817 |
| Granted | - | - |
| Forfeited | (32,759,834) | $0.2075 |
| Exercised | (2,470,000) | $0 |
| **Options exercisable as at 30 June 2017** | **9,350,000** | $0.1897 |
| Granted | 5,000,000 | $0.0370 |
| Forfeited | (9,350,000) | $0 |
| Exercised | - | $0 |
| **Options exercisable as at 30 June 2018** | **5,000,000** | $0.1897 |
| Granted | - | $0 |
| Forfeited | (3,000,000) | $0.39 |
| Exercised | - | $0 |
| **Options exercisable as at 30 June 2019** | **2,000,000** | $0.037 |
| Granted Employee Options. Details refer to Note 26 | 8,000,000 | $0.025 |
| Forfeited | (2,000,000) | $0.037 |
| Expired Employee Options | (500,000) | $0 |
| **Options exercisable as at 30 June 2020** | **7,500,000** | $0.025 |

## Note 26. Options

A scheme under which shares may be issued by the Group to the employees for no cash consideration was approved by the Board as announced at 17 September 2019. All employees (excluding executive directors, other key management personnel of the Group and the Group company secretary) are eligible to participate in this scheme. Employees may elect not to participate in the scheme. Each option entitles the holder, upon vesting, to apply for one ordinary share in the Company. Vesting of the options is to occur in two equal tranches, with the first tranche to vest 12 months from the issue date, with an exercise price of $0.02 and the second tranche to vest 24 months from the issue date, with an exercise price of $0.03.

There were 8 million options issued to staff during financial year ending 2020. During FY 2020, 500,000 options were canceled due to employee resignation. No options have been exercised within FY 2020.

| | FY 2020 |
|---|---|
| Number of Shares issued under the scheme to participating employees as at 30 June 2020 | Nil |

## Note 27. Dividends

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| No dividends were provided for or paid | - | - |
| **Dividends franking account** | | |
| Balance of franking account at year end arising from payment of provision for income tax | 779,446 | 779,446 |

The above available amounts are based on the balance of the dividend franking account at year-end, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

## Note 28. After Balance Date Events

As ASX announcement of 11 August 2020, Ms Maureen Smith has resigned as a Director from 7 August 2020 and Mr Robert Skinner has been appointed as Non-executive Director from 7 August 2020.

## Note 29. Related Party Transactions

a. Related Parties

a) Key management personnel
Any person(s) having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of that entity, are considered key management personnel.
For details of disclosure relating to key management personnel, refer to Note 6.

b) Subsidiaries
Interest in subsidiaries are set out in Note 12.

c) Other related parties
Other related parties include entities over which key management personnel have joint control.

b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

| Amount | Repayment date | Interest rate | Conversion details |
|---|---|---|---|
| $620,000 | 15 December 2021 | 14.71% | Principal $620,000 plus the interest $49,000 converted into 669,000 convertible notes at face value $1.00 per convertible note. And the convertible notes have been converted into 111,129,568 ordinary shares on 27 December 2019. |

As detailed in the Director's Report in Capital raised, loans with IMS Chairman Mr Brendan Birthistle and Connaught Consultants (Finance) Pty Ltd, a company which is controlled by IMS Chairman Mr Brendan Birthistle.

Funds were advanced to the Company by the issue of Convertible Notes (''Notes'') by an entity associated with Mr. Brendan Birthistle (Non-executive director). The Notes were issued in a number of tranches to the Company by Connaught Consultants (Finance) Pty Ltd and Mr. Brendan Birthistle, and were provided on an arm's length basis. The Convertible notes are have the following conditions, conversion terms and interest rates:

Balance Movement:

| | **FY 2020 $** |
|---|---|
| Beginning of the year | 1,120,000 |
| Amounts advanced | 1,150,000 |
| Notes converted | (620,000) |
| Total Loan End of the year | 1,650,000 |
| | |
| Interest charged in FY 2020 | 196,721 |
| Total Interest Payable End of the year | 208,728 |

## Note 30. Contingent Liabilities

There are no contingent liabilities at balance date.

## Note 31. Leasing Commitments

| | Consolidated Group | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Not later than one year | **262,843** | 477,725 |
| COVID-19 Abatement | **(54,768)** | |
| Later than one year but not later than five years | **-** | 262,843 |
| Minimum payments | **208,075** | 740,568 |
| | | |
| Less: future finance charges | - | - |
| Present value of minimum payments | - | - |
| Minimum hire-purchase payments | - | - |

## Note 32. Financial Risk Management

The Group does not engage in any significant transactions that are speculative in nature. The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

The Board of Directors monitor and manage financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counter party credit risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets while minimising potential adverse effects on financial performance. The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

### A. Interest Rate Risk

The consolidated Group's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| **Consolidated Group** | **Weighted Average Interest Rate %** | **Non-interest Bearing $** | **Fixed Interest Rate Maturing** | | **Floating Interest Rate $** | **Total $** |
|---|---|---|---|---|---|---|
| | | | **1 Year or Less $** | **1 to 5 Years $** | | |
| **2020** | | | | | | |
| Financial assets: | | | | | | |
| Cash and cash equivalents | 0.51 | | 289,561 | - | 723,530 | 1,013,091 |
| Income tax payable | - | - | - | - | - | - |
| Trade and other receivables | | 1,361,742 | - | - | | 1,361,742 |
| | | 1,361,742 | 289,561 | - | 723,530 | 2,374,833 |
| Financial liabilities: | | | | | | |
| Trade and other payables | - | 1,792,400 | - | - | - | 1,792,400 |
| Deferred consideration | - | - | - | - | - | - |
| Borrowings - External | 5.42 | - | 684,569 | 3,875,000 | - | 4,559,569 |
| Borrowings - Internal | 15.23* | - | - | 1,650,000 | - | 1,650,000 |
| | | 1,792,400 | 634,569 | 5,525,000 | - | 8,001,969 |

## Note 32. Financial Risk Management (continued)

| | Weighted Average Interest Rate % | Non-interest Bearing $ | Fixed Interest Rate Maturing 1 Year or Less $ | Fixed Interest Rate Maturing 1 to 5 Years $ | Floating Interest Rate $ | Total $ |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Financial assets: | | | | | | |
| Cash and cash equivalents | 2.09 | | 288,506 | - | 918,195 | 1,206,701 |
| Income tax payable | - | 74,747 | - | - | - | 74,747 |
| Trade and other receivables | | 2,569,573 | - | - | | 2,569,573 |
| | | 2,644,320 | 288,506 | - | 918,196 | 3,851,021 |
| Financial liabilities: | | | | | | |
| Trade and other payables | - | 1,474,968 | - | - | - | 1,474,968 |
| Deferred consideration | - | - | - | - | - | - |
| Borrowings - External | 5.42 | - | 1,529,698 | 3,242,752 | - | 4,772,450 |
| Borrowings - Internal | 13.75* | - | - | 1,120,000 | - | 1,120,000 |
| | | 1,474,968 | 1,529,698 | 4,362,752 | - | 7,367,418 |

*The change of interest rate is based on the weighted average interest rate from different loan agreements.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Consolidated Group | |
|---|---|---|
| | Profit | Equity |
| Year ended 30 June 2020 | $ | $ |
| +/- 2% in interest rates | +/- 123,360 | +/- 123,360 |

## B. Credit Risk

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

## C. Net Fair Values

The carrying value of financial assets and financial liabilities recorded in the statement of financial position approximates their respective net fair values. Fair values are determined by reference to standard terms and conditions, quoted market prices, where available, or discounting expected future cash flows.

## D. Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial

## Note 32. Financial Risk Management (continued)

liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

| **Consolidated Group** | **Within 1 Year** | | **1 to 5 Years** | | **Total** | |
|---|---|---|---|---|---|---|
| **Financial liabilities due for payment** | **2020 $** | 2019 $ | **2020 $** | 2019 $ | **2020 $** | 2019 $ |
| Loans | - | - | - | - | - | - |
| Trade and other payables | 1,792,400 | 1,474,968 | - | - | 1,792,400 | 1,474,968 |
| Deferred consideration | - | - | - | - | - | - |
| Income tax payable | - | (74,747) | - | - | - | (74,747) |
| Borrowings – External | 684,569 | 1,529,698 | 3,875,000 | 3,242,752 | 4,559,569 | 4,772,450 |
| Borrowings - Internal | - | - | 1,650,000 | 1,120,000 | 1,650,000 | 1,120,000 |
| Total contractual outflows | 2,476,969 | 2,929,919 | 5,525,000 | 4,362,752 | 8,001,969 | 7,292,671 |
| **Financial assets – cash flows realisable** | | | | | | |
| Cash & cash equivalents | 1,013,091 | 1,206,701 | - | - | 1,013,091 | 1,206,701 |
| Trade & loan receivables | 1,361,742 | 2,316,581 | - | 252,992 | 1,361,742 | 2,569,573 |
| Total anticipated inflows | 2,374,833 | 3,523,282 | - | 252,992 | 2,374,833 | 3,776,274 |
| Net (outflows) / inflows on financial instruments | (102,136) | 593,363 | (5,525,000) | (4,109,760) | (5,627,136) | (3,516,397) |

## E. Market Risk

i. Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings.

ii. Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies which the Group holds financial instruments which are other than the AUD functional currency of the Group. With instruments being held overseas by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results.

## Directors' Declaration

The directors of the Company declare that:

A. the financial statements and notes, as set out on pages 19 to 58, are in accordance with the *Corporations Act 2001* and:

   i. comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (**IFRS**); and

   ii. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated Group;

B. in the directors' opinion 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

C. the directors have been given the declarations required by *s295A of the Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they may become subject.

Brendan Birthistle
Non-Executive Chairman
30 September 2020

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF IMPELUS LIMITED**

## Report on the Audit of the Financial Report

### Opinion

We have audited the accompanying financial report of Impelus Limited (the Company) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other 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 Group 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:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

### 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 are independent of the Group 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.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Emphasis of Matter Related to Material Uncertainty to Going Concern

Without qualifying our opinion, we draw attention to Note 1R in the financial report which indicates that the consolidated entity incurred a net loss of $6,520,079; net cash used in operating activities and after software development expenditure of $531,338 and a net current deficiency of $39,718 for the year ended 30 June 2020. These conditions, along with the difficulties in forecasting future cash flows as a result of the Covid-19 business environment and return to normal business activity, together with other matters as set forth in Note 1R, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

### Emphasis of Matter – Events occurring after the balance date: Coronavirus (COVID-19)

We draw attention to Note 1R, which describes the impact of the Coronavirus (COVID-19) on the Group activities and future operations. As noted in our Key Audit Matters and by the Directors in their Directors Report, the estimates, judgements and uncertainties used to prepare these financial statements may be affected by future developments as a result of the continuation of Covid-19. At this time we cannot determine the outcome of these and our conclusion is not modified in respect of this matter.

### 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.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| *Revenue recognition – accuracy of revenue recorded given the complexity of systems*<br><br>Revenue represents a material balance consisting of low volumes of individually high value transactions and we have identified the following types of transactions and assertions related to revenue recognition which give rise to key risks:<br><br>• the completeness of revenue recorded as a result of the reliance on output of the billing systems;<br>• the accuracy and completeness of revenue recognised on transactions which are outside the normal billing process, which by their nature carry a higher level of management judgement; and<br>• the accuracy and completeness of costs of sales is recognised on sales, where the costs of suppliers and service providers are not charged to the business on a regular basis or are delayed.<br><br>Refer to note 1 – Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty). | In responding to this area of focus, our audit approach included controls testing and substantive procedures covering, in particular:<br>• testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill revenue streams;<br>• Testing included validating material journals processed between the billing system and general ledger;<br>• performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits applied customer bills;<br>• testing cash receipts for a sample of customers back to the customer invoice; and<br>• testing the assumptions and comparing actuals of costs of sales and<br>• consideration of COVID-19 impacts to collection of receivables and related provisions;<br><br>We also considered the application of the Group's accounting policies to amounts billed and the accounting implications of services and products, to check that Group accounting policies were appropriate for these and were followed.<br><br>Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year. |

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| *Capitalisation of Software Development and asset lives*<br><br>There are a number of areas where management judgement impacts the carrying value of software intangible assets and their respective amortisation profiles. These include:<br>• the decision to capitalise or expense costs;<br>• the annual asset life review including the impact of changes in the Group's strategy; and<br>• the timeliness of the transfer from assets in the course of development.<br><br>Refer to note 1Q – Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty).<br><br>Refer Intangible assets note 14. | We tested controls in place over the software development cycle, evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the timeliness of the transfer of assets in the course of development. There were no exceptions noted from our testing.<br>Our detailed testing on the application of the asset life review identified no issues.<br><br>In performing these procedures, we challenged the judgements made by management including:<br>• the nature of underlying costs capitalised as part of the cost of the software delivery platforms;<br>• the appropriateness of asset lives applied in the calculation of amortisation; and<br>• in assessing the need for accelerated amortisation or impairment of the groups Direct Carrier Billing (mobile billing) platform<br>• changes in development activities due to COVID-19 business environment.<br>• considered the deterioration of sales for the period and the resulting indication of impairment of capitalised development costs, managements view of the uncertainty in regard to future prospects and return to normal trading. These uncertainties have a significant impact on estimated future cash flows and there is a high risk of error that the estimates used will not eventuate.<br><br>Based on our testing, the results our discussions with management and there were no significant issues identified. The uncertainties associated with Covid-19 are referred to in the Emphasis of Matter. |
| *Going Concern*<br><br>Following operating losses and cash flow deficits, there is a heightened degree of judgement as to the group's ability to continue as a going concern through the assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk. | We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by:<br>• comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences;<br>• ensuring consistency between the forecasts in the group going concern model and those used in the asset value-in-use calculations for impairment assessment purposes;<br>• assessing the historical accuracy of forecasts prepared by management;<br>• testing the mechanical accuracy of the model used;<br>• performing stress tests for a range of reasonably possible scenarios on management's cash flow for the going concern period;<br>• challenging management's plans for mitigating any identified exposures, obtain additional sources of financing;<br>• consideration of COVID-19 impacts to managements assumptions in regard to future revenue forecasts, especially the uncertainty of general economic conditions and return to normal business activity and<br>• considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.<br><br>Our concerns and reference to managements responses and proposed actions in regard to Going Concern are included above under **Emphasis of Matter Related to Going Concern.** |

## Other Information

The directors of Impelus Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 (including the Australian Accounting Interpretations) 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 11 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Impelus Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of Impelus Limited 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.

MNSA PTY LTD

**Name of Firm:** MNSA Pty Ltd

**Name of Auditor:** Daniel

Sam Danieli

**Address:** Level 1, 283 George Street, Sydney NSW 2000

**Dated this** **30th day of September 2020**

**ADDITIONAL CORPORATE INFORMATION**

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 29 September 2020.

(a) Distribution of Shareholders

| Range | Securities | % of Issued Capital | Number of Shareholders | % of Shareholders |
|---|---|---|---|---|
| **100,001 and Over** | 760,319,020 | 94.64 | 552 | 22.32 |
| **10,001 to 100,000** | 38,409,342 | 4.78 | 955 | 38.62 |
| **5,001 to 10,000** | 3,123,947 | 0.39 | 365 | 14.76 |
| **1,001 to 5,000** | 1,459,007 | 0.18 | 434 | 17.55 |
| **1 to 1,000** | 34,770 | 0.00 | 167 | 6.75 |
| **Total** | **803,346,086** | **100.00** | **2,473** | **100.00** |

(b) Less than marketable parcels of ordinary shares
There are 1,863 shareholders holding unmarketable parcels of shares, totalling 37,227,066 shares.

(c) 20 Largest Shareholders
The twenty largest shareholders of quoted equity securities are as follows:

| Rank | Name | Number of Ordinary Shares | % of Issued Capital |
|---|---|---|---|
| 1 | MR BRENDAN THOMAS BIRTHISTLE | 142,543,636 | 17.74 |
| 2 | CONNAUGHT CONSULTANTS (FINANCE) PTY LTD | 125,429,568 | 15.61 |
| 3 | MR SCOTT DOUGLAS AMOS & MRS KAREN ELIZABETH AMOS | 33,500,000 | 4.17 |
| 4 | WAUGHDOC PTY LTD | 22,176,639 | 2.76 |
| 5 | MR NEIL WILES | 12,000,000 | 1.49 |
| 6 | PANRON PTY LTD | 10,320,800 | 1.28 |
| 7 | INCANI & PAPADOPOULOS SUPER PTY LTD | 10,080,000 | 1.25 |
| 8 | MR CHRISTIAN ANDRES NARVAEZ | 10,000,000 | 1.24 |
| 9 | COMMUNITEE PTY LIMITED | 9,283,000 | 1.16 |
| 10 | MR JEREMY STEVEN MARPLE | 9,014,084 | 1.12 |
| 11 | PANRON PTY LTD | 8,449,850 | 1.05 |
| 12 | MARSIC MARINE HOLDINGS PTY LTD | 7,500,000 | 0.93 |
| 13 | MR ALBERT WIJEWEERA | 7,337,000 | 0.91 |
| 14 | MS KIA BOON TAY | 7,245,984 | 0.90 |
| 15 | KMW CAPITAL INVESTMENTS PTY LTD | 5,420,000 | 0.67 |
| 16 | KILNORT PTY LTD | 5,300,000 | 0.66 |
| 16 | YUCAJA PTY LTD | 5,300,000 | 0.66 |
| 17 | MS NADIA MARINE | 5,100,000 | 0.63 |
| 18 | CUSTOM AV PTY LTD | 5,000,000 | 0.62 |
| 19 | MR TONY HSU | 4,700,000 | 0.59 |
| 20 | MRS ANTHEE WIN | 4,680,633 | 0.58 |
| | **Total Held by Top 20** | **450,381,194** | **56.06** |
| | **Total Remaining Balance** | **352,964,892** | **43.94** |
| | **Total Shares on Issue** | **803,346,086** | **100.00** |

(d) Total Quoted Equity Securities: 803,346,086

(e) Unquoted Equity Securities
The Company had the following unquoted securities on issue as at 29 September 2020:

| Class | Number of Securities | Number of Holders |
|---|---:|---:|
| Unquoted Options | 5,800,000 | 22 |

(f) Substantial Shareholders
The names of the Substantial Shareholders listed in the Company's Register as at 29 September 2020:

| Shareholder | Number of Ordinary Fully Paid Shares | % of Issued Capital |
|---|---:|---:|
| Brendan Thomas Birthistle / Connaught Consultants (Finance) Pty Ltd / Connaught Consultants (Finance) Pty Ltd <Super Fund Account> / Muintearas Pty Ltd <The Eolas Foundation A/C> | 270,093,204 | 33.62% |

(g) Restricted Securities
The Company had no restricted securities on issue as at 29 September 2020.

(h) Voting Rights
The voting rights attached to each class of equity security are as follows:
At shareholder's meetings, each ordinary share entitles the holder to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands, Option holders have the right to attend meetings and ask questions but do not have any voting rights until the options have vested and been converted into ordinary shares. Voting rights are set out in Rule 34 of the Company's Constitution.

(i) On-Market Buy-Backs
There is no current on-market buy-back in relation to the Company's securities.

**Corporate Directory**
**Directors**
Brendan Birthistle Chairman
David Haines Non-Executive Director
Robert Skinner Non-Executive Director

**Company Secretary**
Vanessa Chidrawi

**Registered Office and Principal Place of Business**
Level 23, 100 William Street, Sydney NSW 2011
Telephone +61 2 9360 3385
Email: info@impelus.com

**Corporate Governance**
The Company's Corporate Governance Statement is available on the Company's website at:
www.impeluscorp.com/asx-resources/

**Website**
www.impeluscorp.com

**ASX Code:** IMS

**Auditors**
MNSA Chartered Accountants
Level 1, 283 George Street, Sydney NSW 2000

**Share Registry**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Telephone (within Australia): 1300 554 474
(Outside Australia): +61 1300 554 474
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**Principal Bankers**
Commonwealth Bank of Australia

impelus

www.impelus.com

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