

4 March 2021

Reference: ODIN3165

Vanessa Nevjestic
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ASX Compliance Pty Limited
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PERTH WA 6000

By email: ListingsCompliancePerth@asx.com.au

Response to ASX Letter - Orcoda Limited ('ODA' or 'Company') Queries regarding Accounts

Dear Vanessa

We refer to your letter dated 26 February 2021 and respond as follows (adopting the numbering in your letter):

1. *Is ODA able to confirm that in the Directors' Opinion that the Half Year Accounts:*

a. *comply with the relevant Accounting Standards; and*

Yes.

b. *give a true and fair view of ODA's financial performance and position?*

Yes.

2. *Please explain the basis for and the factors considered by the Directors to satisfy themselves that the assumptions within the forecasts used to support the carrying amount of goodwill attributed to the ODA's Healthcare cash-generating unit were appropriate and reliable.*

The audit of the Company's interim accounts for the period ended 31 December 2020 examined the Impairment of Intangibles as a Key Audit Matter due to:

1. the materiality of the goodwill balance in regard to the CGU of Healthcare division of \$2,398,692;
2. the fact the Directors' assessment of the 'value in use' of the cash generating unit involved judgment about the future underlying cash flows of the business; and
3. the discount rates applied to it.

The full year audit for 30 June 2020 drew attention to the auditor having applied a number of audit procedures in relation to management's impairment assessment including:

- Assessing management's value-in-use methodology of the cash generating unit (**CGU**) to which the goodwill is allocated;
- Challenging the reasonableness of key assumptions used in management's value-in-use calculations, including the cash flow projections, discount rates, and sensitivities used;
- Undertaking enquiries and assessing during the measurement period whether identifiable intangibles existed at the date of acquisition;
- Assessing the carrying value of goodwill for indicators of impairment; and
- Assessing the appropriateness of the Consolidated Entity's disclosures relating to intangibles impairment in accordance with the disclosure requirements of AASB 136.

Having thoroughly examined this issue, the partner of BDO stated in their opinion that the Company's financial report of the Group complied with the Corporations Act 2001:

- gave a true and fair view of the Company's financial position as at 31 December 2020; and
- complied with the Australian Accounting Standards and Corporations Regulations 2001, subject to their qualification as to the \$2,398,692 that ODA assigned to the carrying intangible valuation of Group's Healthcare cash generating unit (CGU).

The Board and Audit Committee carefully evaluated and examined the differing conclusion of the Auditor and noted that their qualification did not include a qualification regarding Going Concern which was clearly stated in their report nor did the FY21 half year qualification relate to the carrying value of the Resource division CGU of \$5,602,677 as they had sufficient appropriate review evidence provided by Directors to meet the carrying value of that CGU which was a substantial change from the FY20 full year opinion.

The qualification only related to the carrying value of the Healthcare CGU of \$2,398,692 which clearly stated that they were unable to obtain sufficient appropriate review evidence to support the assumptions within the forecasts used to support the carrying amount of goodwill attributed to the Group's Healthcare cash-generating unit (CGU). Consequently, they were unable to determine whether any adjustments to the carrying amount of intangible assets necessary as at 31 December 2020.

After consideration, the Audit Committee considered and agreed that the appropriate intangible asset valuation of Group's Healthcare cash generating unit (CGU) should remain at \$2,398,692 for several reasons.

The impact of COVID19 most impacted on the volume of paying transport customers. The division however pivoted its focus from aged care related customers to focus more on the disability sector. Whilst revenue was affected initially when the pandemic began, the division managed to grow its customer base from approximately 200 customers to 400 customers in a six-month period. COVID -19 also dramatically affected the sale of licences because investors saw the risk of COVID as a major deterrent to investing therefore Orcoda stopped marketing these packages until the market fully recovers from COVID. Prior to the audit, Orcoda Healthcare's division pivoted further to serving disabilities and also changed its strategic focus to a Transport as a Service model. Among other things, this involved engaging the vehicle and driver on a pre-agreed day rate, over a pre-agreed period and thereby able to produce a profitable daily outcome.

The Board believed that there was a reasonable basis to conclude that the intangible valuation remained appropriate, based on that:

1. COVID19 was almost the definition of a "Black Swan" event and particularly impacted the aging and most physically vulnerable travel habits – being key customers of the business.
 2. With scaled back restrictions, multiple vaccination sources imminent, it did not in the Board's view reflect that the underlying business which includes its systems and capacity to scale quickly, nor the increase in IP that was gained from other projects which included the Snowy Hydro and the Betta Group's acquisition would strengthen from a resource and technology solution perspective only support and reinforce the Healthcare CFU's inevitable recovery;
 3. At the time of the Interim Financial Report's, already there were substantial signals a recovery in the Group's Healthcare CGU was underway;
 4. The commercial benefits arising from the Betta Group acquisition is believed to provide even more network benefits to support the Group's Healthcare business as it matures;
 5. The increased net asset value of the Company over the period;
 6. Improving revenue and profit metrics over the second half of 2020 - despite the pandemic; and
 7. The increased market capitalisation of the Group.
3. *What steps has ODA taken since the release of the Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?*
- ODA has substantially reduced the qualified opinion in relation to the FY20 full year report from having a fully qualified set of accounts in the FY20 full year to the FY21 half year having no qualification regarding Going Concern and justifying to the Auditors the carrying value of goodwill of the Resource division CGU of \$5,602,677, which was a substantial improvement.
4. *Does ODA consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain*

the basis for this conclusion. In answering this question, please comment on the nature of the ODA's current business activities.

Yes, based on the responses in relation to questions 2 and 3 above. In particular, the Company notes its continuing operations across three divisions, expanding size and improving revenue position as well as other metrics.

5. *Does ODA consider that the financial condition of ODA is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.*

Yes, based on the responses in relation to questions 2 and 3 above. In particular, the Company notes its strong cash position and the improving performance of its three (3) divisions.

6. *If the answer to questions 4 or 5 is "No", please explain what steps ODA has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.*

N/A

7. *In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ODA's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ODA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ODA and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?*

Yes.

8. *If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ODA's Corporate Governance Disclosure?*

N/A

9. *What enquiries did the Board make of management to satisfy itself that the financial records of ODA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ODA?*

The Audit Committee examined management assumptions in detail prior to making recommendations to the Board. The Board probed all elements contained in this letter and are very familiar with the Company's strengths, challenges and opportunities. Having regard to the matters set out in relation to questions 2 and 3 above, the Company considers it has taken appropriate and prudent steps in preparing the Half Year Accounts.

10. *Commenting specifically on the qualified conclusion, does the board consider that ODA has a sound system of risk management and internal control which is operating effectively?*

The Board considers the Company does indeed have a sound system of risk management and internal control that operates effectively.

The Company's Resources division continues to be a supplier member of Achilles FPS Oil & Gas Asia Pacific Community, meaning criteria including Quality Management and Financial & Insurance have been validated by an independent third party as part of pre-qualifying the Company for work in the oil & gas sector. The addition of Betta Group and its numerous safety certificates that are required for many of the large-scale public and private tenders over a number of years has enhanced ODA's strong risk management and internal control systems.

The Company also notes the appointment of Greg Khan as Chief Financial Officer, earlier in 2020 has further strengthened the Company's internal systems.

11. *Given the Auditor has included in the Auditor's Review Report an emphasis of matter paragraph regarding going concern and ODA has cash and cash equivalents of A\$608,909 and total current liabilities of A\$2,387,092 as at 31 December 2020, on what basis do the directors consider that ODA is a going concern?*

ODA notes that the auditor states that their report is not qualified in respect of this matter. The Directors consider that the factors identified and described in response to questions 2 and 3 above

(and set out in the Half Year Accounts) provide a reasonable basis to consider that ODA is, and will continue to be a going concern moving forward.

12. Please confirm that ODA is complying with the Listing Rules and, in particular, Listing Rule 3.1.

We confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

13. Please confirm that ODA's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ODA with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that the above responses have been authorised and approved by ODA's Board in accordance with ODA's continuous disclosure policy.

Yours faithfully



Julian Rockett
Company Secretary



26 February 2021

Reference: ODIN31565

Mr Julian Rockett
Company Secretary
Orcoda Limited
Unit 312, 434 St Kilda Road
Melbourne, Victoria 3004

By email: jrockett@orcoda.com

Dear Mr Rockett

Orcoda Limited ('ODA'): Queries regarding Accounts

ASX refers to:

- A. ODA's half year accounts for the year ended 31 December 2020 lodged with ASX's Market Announcements Platform ('MAP') and released on 26 February 2021 ('Half Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Review Report') contains a qualified opinion together with the basis for qualified opinion:

“Qualified conclusion

We have reviewed the half-year financial report of Orcoda Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for qualified conclusion section, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and*
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.*

Basis for qualified conclusion

The Group's intangible assets are carried in the consolidated statement of financial position at \$8,079,170. Of this, \$2,398,692 relates to the carrying amount of goodwill of the Group's Healthcare cash generating unit (CGU), as explained in Note 13. We were unable to obtain sufficient appropriate review evidence to support the assumptions within the forecasts used to support the carrying amount of goodwill attributed to the Group's Healthcare cash-generating unit (CGU). Consequently, we were unable to determine whether any adjustments to the carrying amount of intangible assets were necessary as at 31 December 2020.

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's

Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not qualified in respect of this matter."

- C. ODA's Corporate Governance Statement and Appendix 4G for the year ended 30 June 2020 lodged on MAP on 30 September 2020 provides confirmation that ODA complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

- D. Listing Rule 12.1 which states:

12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.

- E. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

- F. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*

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- (d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information contained in the Half Year Accounts, the Auditor's Review Report and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is ODA able to confirm that in the Directors' Opinion that the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of ODA's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the assumptions within the forecasts used to support the carrying amount of goodwill attributed to the ODA's Healthcare cash-generating unit were appropriate and reliable.
3. What steps has ODA taken since the release of the Half Year Accounts to obtain an unqualified audit opinion with regards to its future financial statements?
4. Does ODA consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the ODA's current business activities.
5. Does ODA consider that the financial condition of ODA is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
6. If the answer to questions 4 or 5 is "No", please explain what steps ODA has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ODA's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ODA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ODA and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
8. If the answer to Question 7 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ODA's Corporate Governance Disclosure?
9. What enquiries did the Board make of management to satisfy itself that the financial records of ODA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ODA?
10. Commenting specifically on the qualified conclusion, does the board consider that ODA has a sound system of risk management and internal control which is operating effectively?

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11. Given the Auditor has included in the Auditor's Review Report an emphasis of matter paragraph regarding going concern and ODA has cash and cash equivalents of A\$608,909 and total current liabilities of A\$2,387,092 as at 31 December 2020, on what basis do the directors consider that ODA is a going concern?
 12. Please confirm that ODA is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 13. Please confirm that ODA's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ODA with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and ODA's response to the market. Accordingly, ODA's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **9:00 am AWST Thursday, 4 March 2021**.

Any response should be sent to me by return email at ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Vanessa Nevjestic
Adviser, Listings Compliance (Perth)