



AD1
Holdings Ltd

ANNUAL REPORT

For the year ended 30 June 2020

AD1 Holdings Limited

ABN 29 123 129 162

Name of entity:	AD1 Holdings Limited (formerly ApplyDirect Limited)
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the year ended 30 June 2020
Previous corresponding period:	the year ended 30 June 2019

Results for announcement to the market

				\$
Revenue for ordinary activities	Up	51%	to	3,654,915
Net loss after tax for the period attributable to members (from ordinary activities)	Down	50%	to	2,181,158
Net loss for the period attributable to members	Down	50%	to	2,181,158

Note: The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the year ended 30 June 2020 using the modified retrospective approach and as such the comparatives have not been restated.

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Explanation of results

For the current reporting period, net loss for the period was \$2,181,158, representing a 50% decrease compared to the previous corresponding period. Refer to the "Review of operations" section within the accompanying annual report for more details.

Net tangible asset per share

	30 June 2020	30 June 2019
Net tangible asset per share (cents)	0.01	0.07

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities - n/a
- Details of associates and joint venture entities - n/a
- Foreign entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Audit

The accompanying financial statements have been audited by AD1 Holdings Limited's independent auditor which contains a paragraph regarding a material uncertainty in relation to going concern.



“The Company made significant progress in FY2020 providing a strong foundation for future growth culminating in the Company’s first cashflow positive quarter in June 2020.”

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Corporate Directory

Directors	Mr Andrew Henderson <i>Non-Executive Chairman</i> Mr Michael Norster <i>Non-Executive Director</i> Mr Prashant Chandra <i>Managing Director & CEO</i> (appointed 22 October 2019) Mr Nicholas Smedley <i>Non-Executive Director</i> (appointed 6 March 2020)
Company Secretaries	Mr Prashant Chandra Mr Harvey Bui (appointed 11 December 2019)
Registered office and principal place of business	Suite 102, 697 Burke Road Hawthorn East, VIC 3123 1300 554 842
Share and debenture register	Link Market Services Limited Level 12, 680 George Street Sydney New South Wales 2000 +61 2 8280 7100
Auditor	PKF Level 12, 440 Collins Street Melbourne, 3000
Solicitors	Thomson Geer Level 39, Rialto Towers 525 Collins Street Melbourne Victoria 3000
Website	www.ad1holdings.com.au www.utilitysoftwareservices.com

Letter from the Chairman and CEO

Dear Shareholder

On behalf of AD1 Holdings Limited (AD1 or the Company), we are pleased to present to you our 2020 Annual Report.

Review of operations and significant milestones

As foreshadowed at the Company's 2019 AGM, the Company undertook a significant realignment in strategy with the primary objective of accelerating the Company's pathway to breakeven. The key deliverables for the Board and Management in FY2020 to achieve this were to:

- Successfully integrate the utilities software and managed services revenue stream acquired in late FY2019;
- Build a strong revenue foundation by renewing existing AD1 contracts; and
- Rationalise the combined cost base to better align with its revenue.

The success in achieving the above objectives was demonstrated in June 2020 as the Company delivered its first cashflow positive quarter, which is a significant milestone for the business.

Key contract wins and multi-year extensions

During the year, the Company successfully onboarded new clients including the Pharmacy Guild of Australia and iGeno on its employment platform solution and utilities services platform respectively. The Company was selected as the preferred supplier for 3P Energy Pty Ltd, a relationship that recently translated into a three-year Managed Services Agreement between the two parties for the provision of the Company's full suite of utilities SaaS solutions and related managed services.

The Company successfully renewed its employment platform Managed Services Agreements with both the NSW and Victoria Governments, the two largest employers in the country, on multi-year terms. With the NSW Government already a long-standing customer of AD1 for over five years, the renewals demonstrate the strength of our relationship with both clients as well as the confidence that both these clients have in our service offering.

Importantly, these contract extensions mean that AD1 has retained all revenue contributing employment platform customers with almost 97% of the associated subscription revenue secured on multi-year terms.

Rationalisation of the cost base

A key objective for FY2020 was to ensure that the cost run rate was reduced to better align with the Company's revenue outlook. During the first half of FY2020, the Company completed its cost rationalisation program extending the cost savings to approximately \$5 million per annum. This is particularly significant given the acquisition in late FY2019. Importantly, this means that the Company now maintains a cost run rate that is lower than AD1's pre-acquisition cost run rate.

FY2020 financials

Operating revenue for FY2020 was \$3,400,947, an increase of 74% compared to the prior year. Operating expenses for the year reduced by \$1,003,365 (15%) compared to the prior year with the net loss reducing by \$2,200,953 (50%) compared to the same period.

Capital raising

The Company raised approximately \$1.83 million in July/August 2019, through private placement to a cornerstone investor, Smedley Family Office (Cornerstone Investor), and Share Purchase Plan, to ensure sufficient capital availability for the successful execution of our strategy. The response under the Share Purchase Plan was strong and we thank our shareholders for their ongoing support.

Impact of COVID-19

Following the outbreak of COVID-19 and restrictions imposed by Federal and State authorities, the Company has continued to diligently assess the unfolding situation and proactively put in place the necessary arrangements to ensure the continuity of its business operations.

Seamless service delivery to our customers whilst ensuring the health and safety of all our staff is our highest priority. In addition to complying with the guidelines recommended by the health authorities through the various stages, the Company enabled all staff to work remotely in the early stages of the outbreak and has continued to maintain its services without any disruptions. The benefit of cloud-hosting all of our solutions also enables our platforms to continue operating with no impact.

Whilst the existing business revenue stream has not experienced any material adverse impact other than some delay in receiving payments, the Company has experienced some delay in both converting late-stage opportunities and progressing new prospects as a result of the slowdown from the COVID-19 related restrictions.

Despite the delays due the pandemic, the Company is now starting to convert its late-stage opportunities with the execution of the Managed Services Agreement with 3P Energy in August 2020 and others across both the platforms expected to follow in the first quarter of FY2021.

The Company acknowledges that the full impact of the COVID-19 pandemic on its business and the overall economy remains unknown at this stage. The Company continues to monitor the status of COVID-19 and its impact on our business and will inform the market accordingly.

Conclusion and outlook

The Company made significant progress in FY2020 providing a strong foundation for future growth culminating in the Company's first cashflow positive quarter in June 2020. The key objective for FY2021 is to build on this foundation and take the business to a position of sustainable profit through accelerated revenue growth.

Further enhancing shareholder value through EPS accretive acquisitions is another important focus area for the Company.

The Board and Management are very pleased with the progress and believe the Company is now well placed to progress down this path.

Mr Andrew Henderson
Chairman

Mr Prashant Chandra
Managing Director & CEO



“The Company successfully renewed its employment platform Managed Services Agreements with the NSW & Victoria Governments, the two largest employers in the country, on multi-year terms”



Directors' Report

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of AD1 Holdings Limited (formerly ApplyDirect Limited) (the "Company") and the entities it controlled (together, the "Group" or "AD1") at the end of, or during the year ended 30 June 2020.

Directors

The following persons held office as directors of the Company during the financial period and up to the date of this report, unless otherwise stated:

- Mr Andrew Henderson (Non-Executive Chairman)
- Mr Michael Norster (Non-Executive Director)
- Mr Prashant Chandra (Managing Director & CEO) – appointed 22 October 2019
- Mr Bryan Petereit (Managing Director & CEO) – resigned 22 October 2019
- Mr Nicholas Smedley (Non-Executive Director) – appointed 6 March 2020

Principal activities

During the reporting period, the Group's principal activities are providing and delivering of software services and technology platforms to its customers, and other related supporting and consulting services.

Dividends

No dividends have been paid or declared by the Company since the beginning of the financial year. No dividends were paid for the previous financial year.

Review of operations

Operating revenue for FY2020 was \$3,400,947, an increase of 74% compared to the prior year. Operating expenses for the year reduced by \$1,003,365 (15%) compared to the prior year with the net loss reducing by \$2,200,953 (50%) compared to the same period.

During the year ended 30 June 2020, the Group has:

- successfully onboarded new clients on both the employment solution and utilities service platforms;
- successfully retained all revenue contributing employment platform customers (APM did not proceed to revenue as mutually agreed by both parties) with almost 97% of the associated subscription revenue secured on multi-year terms; and
- completed the cost rationalisation program to better align cost run rate to revenue outlook, extending the cost savings to approximately \$5m per annum.

Refer to the Letter from the Chairman and CEO on page 5 for further details.

Risks related to our business

The Group is subject to normal business risks, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations, and a range of other factors which are outside the control of the Board and Management.

More specific material risks of the operating sector and the Group include, but are not limited to:

Competition	The Group operates in a competitive industry which is subject to increasing competition from companies in Australia and throughout the world, through a combination of established organisations and new entrants to the market. The Group cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in the online recruitment advertising market.
Failure to protect intellectual property	The Group's proprietary cataloguing system and search engine is not protected through any patent or other form of registered intellectual property. The Group considers that, in practical terms, its proprietary cataloguing system and search engine are not likely to be capable of intellectual property registration. A lack of registered protection is likely to enhance the risk that the Group's intellectual property may be the subject of unauthorised disclosure or unlawfully infringed. The Group may need to incur substantial costs in monitoring, asserting or defending its intellectual property rights.

**Cyber security,
computer crime
and privacy
breaches**

Increased cyber-security threats and computer crime also pose a potential risk to the security of the Group's information technology systems, including those of contracted third-party service providers, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive employer, employee or investor information maintained in the ordinary course of business. Any such event could cause damage to reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

**Failure to execute
strategic
initiatives/
operating costs
and margins**

The Group's strategy involves a significant expansion of its sales, marketing and business development teams. It will involve the Group in the recruitment of additional senior management personnel and the undertaking of an extensive multi-media brand recognition and awareness campaign. The ability of the Group to achieve growth of its business is dependent on the successful implementation of the Group's growth strategies, business plans and strategic initiatives. An inability to successfully implement these plans and initiatives, whether wholly or partially, could adversely affect the Group's operating and financial performance.

Significant changes in the state of affairs

On 11 December 2019, the Company changed its name to AD1 Holdings Limited to fit its wider strategic growth plan, including the prospect of future acquisitions.

Event since the end of the financial year

No additional matters or circumstances have occurred subsequent to the financial year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in future financial years.

Likely developments and expected results of operations

There were no likely developments in the operations of the Group that were not finalised at the date of this report.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations under Australian Commonwealth or state law.

Information on directors

Andrew Henderson (Non-Executive Chairman)

Experience, expertise, and qualifications	Andrew has over 20 years of experience in technology products and services businesses. Having worked in Asia in the early 2000's he returned to Australia to found Phoenix IT&T Consulting Pty Ltd, where he was CEO and Executive Director for 13 years. Phoenix was sold to ASX listed DWS Limited in 2015 with 240 consultants at the time of the sale. Andrew is currently the Managing Director of Jitterbit Inc. (Asia Pacific). Andrew has a Diploma in Financial Markets, a Master of Science (Information Technology), he is a Member of the Australian Institute of Company Director and a Senior Associate of FINSIA.
Current or Former Directorships held in other listed entities within the last 3 years	None
Special responsibilities	None
Interests in shares and options	4,651,765 ordinary shares 444,444 options over ordinary shares

Michael Norster (Non-Executive Director)

Experience, expertise, and qualifications	Michael has been and is the major driving force in forming a number of successful, start up, Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and executive chairman of the Green Generation group of private companies which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to AD1 Holdings, Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications).
Current or Former Directorships held in other listed entities within the last 3 years	None
Special responsibilities	Chair of the Audit & Risk Committee
Interests in shares and options	137,060,887 ordinary shares 2,055,555 options over ordinary shares

Prashant Chandra (Managing Director & CEO) – appointed 22 October 2019

Experience, expertise, and qualifications	Prashant is a successful executive with extensive experience in leading and transforming Finance and Operations Functions across Professional Services, Technology, Supply Chain & Logistics and Human Resources sectors. He was appointed Managing Director of AD1 on 22 October 2019. Previously, he held the CFO and Company Secretary position of the Company since May 2018. Prashant was instrumental in leading the successful integration of Utility Software Services Pty Ltd. Prior to joining the Company, Prashant held several leadership roles with Adecco Group Australia (Financial Controller / Director) and efm Logistics Group Pty Ltd (Chief Financial Officer) (FMH Group).
Current or Former Directorships held in other listed entities within the last 3 years	None
Special responsibilities	None
Interests in shares and options	222,222 ordinary shares 5,411,111 options over ordinary shares

Nicholas Smedley (Non-Executive Director) – appointed 6 March 2020

Experience & expertise	Nicholas is an experienced Investment Banker and M&A Advisor, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A\$9bn defence of WMC Resources through to the investment of \$65m into Catch.com.au. Nicholas currently oversees investments in the Property, Aged Care, Technology and Medical Technology space. Key areas of expertise include M&A, Debt structuring, Corporate governance and innovation. He holds a Bachelor of Commerce from Monash University. Nicholas is currently the Executive Chairman of Respi Limited (ASX: RSH)
Current or Former Directorships held in other listed entities within the last 3 years	Respi Limited (ASX: RSH) – from 30 October 2019 to current
Special responsibilities	None
Interests in shares and options	68,238,313 ordinary shares

Bryan Petereit (Managing Director & CEO) – resigned 22 October 2019

Experience, expertise, and qualifications	Bryan was the founder and Managing Director of AD1. Bryan commenced his working career with IBM Australia. Subsequently, he worked in the IT sector in management roles with Ferntree Computer Corporation and, following its acquisition, with the IT division of GE Capital. Prior to his current role at AD1, Bryan commenced, ran and ultimately sold (to the Finite Group) his own IT recruitment business. Bryan holds a Master of Applied Finance from Macquarie University and a Bachelor of Science Degree, major in Computer Science.
Current or Former Directorships held in other listed entities within the last 3 years	None
Special responsibilities	None
Interests in shares and options	N/A – no longer a director

Company Secretaries

The Company Secretaries are Mr Prashant Chandra and Mr Harvey Bui.

Mr Harvey Bui was appointed to the position on 11 December 2019. Harvey is a qualified chartered accountant with over 10 years of experience in accounting, finance and corporate compliance. He started his career with EY before transitioning into an advisory role where he acted as and assumed responsibilities of the Company Secretary for several ASX/NASDAQ listed entities.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

Director	Committee ²					
	Full Board		Audit and Risk		Remuneration	
	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹
Andrew Henderson	10	10	5	5	1	1
Michael Norster	10	10	5	5	1	1
Bryan Petereit ³	3	3	1	1	-	-
Prashant Chandra ⁴	7	7	4	4	1	1
Nicholas Smedley ⁵	1	1	1	1	1	1

1. Reflects the number of meetings held in the time the Director held office during the year

2. Committee meetings are open to all Directors to attend

3. Bryan Petereit resigned on 22 October 2019

4. Prashant Chandra was appointed on 22 October 2019

5. Nicholas Smedley was appointed on 6 March 2020

Remuneration report

The directors present the AD1 2020 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The report is structured as follows:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Relationship between the remuneration policy and group performance
- (f) Key management personnel disclosures

(a) Principles used to determine the nature and amount of remuneration

Remuneration governance

Remuneration in respect of directors and executives of the Group is overseen by the full Board of Directors of AD1 Group.

The Board of Directors of the Group will ensure that the Group has coherent remuneration policies and practices to attract, motivate and retain executives and directors who will create value for shareholders and who are appropriately skilled and diverse, observe those remuneration policies and practice; fairly and responsibly reward executives having regard to the Group and individual performance, the performance of the executives and the general external pay environment, and integrate human capital and organisational issues into its overall business strategy.

Remuneration will be reviewed on at least an annual basis with consideration given to individuals' performance and their contribution to the Group's success (against measurable key performance indicators), external market relativities, shareholders' interests and desired market positioning.

The Board will review the remuneration of executive and non-executive directors and other executives having regard to any recommendations made by the Chief Executive Officer of the Group and other external advisers.

Executive remuneration

Executive remuneration consists of fixed remuneration, equity-based remuneration, and termination payments such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

Non-executive director remuneration

Non-executive director remuneration consists of fixed remuneration, equity-based remuneration and superannuation.

Fixed remuneration

Executive and non-executive Directors are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards, which should be reasonable and fair; take into account the Group's legal and industrial obligations and labour market conditions, be relative to the scale of the Group's business, reflect core performance requirements and expectations, and take into account incumbent skills and experience, and the time commitment and responsibilities of the role.

Variable performance-based remuneration

The Group does not pay any variable performance-based remuneration to its directors and executives.

Equity-based remuneration

This can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Group's longer-term performance objectives. It should also take into account executive performance. However, programs should be designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks.

Termination payments

All directors and executives are not entitled to retirement benefits others than superannuation or those required under law.

Securities trading policy

The trading of Group's securities by employees and directors is subject to, and conditional upon, the Policy for Trading in company Securities which is available on the AD1's website at www.ad1holdings.com.au.

(b) Details of remuneration

Key Management Personnel (KMP) of AD1 are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group receiving the highest remuneration. Details of the remuneration of the KMP of the Group are set out in the following tables.

The following persons held office as directors of AD1 during the whole of the financial year and up to the date of this report:

- Mr Andrew Henderson (Non-Executive Chairman)
- Mr Michael Norster (Non-Executive Director)
- Mr Prashant Chandra (Managing Director & CEO) – from 22 October 2019
- Mr Bryan Petereit (Managing Director & CEO) – until 22 October 2019
- Mr Nicholas Smedley (Non-Executive Director) – from 6 March 2020
- Mr. Daniel Pludek (Chief Information Officer) – until 10 June 2020

There are no other key management personnel other than those stated above.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2020	2019	2018	2017	2016
Loss per share (cents)	(0.41)	(1.50)	(2.65)	(2.90)	(3.62)
Net loss	(2,181,158)	(4,382,111)	(4,748,183)	(4,480,161)	(3,457,790)
Share price (\$)	0.010	0.010	0.050	0.14	0.34

KMP remuneration for the current and previous financial year:

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees ¹	Bonus	Super-annuation	Long service leave	Equity-settled shares	Equity settled options ²	Total
	\$	\$	\$	\$	\$	\$	\$
2020							
Directors:							
Andrew Henderson	59,000	-	-	-	-	-	59,000
Michael Norster	39,333	-	3,737	-	-	-	43,070
Bryan Petereit (until 22 October 2019)	201,597	-	7,001	-	-	-	208,597
Prashant Chandra (from 22 October 2019)	288,221	-	20,651	3,734	-	14,378	326,985
Nicholas Smedley (from 6 March 2020)	13,206	-	-	-	-	-	13,206
Other Key Management Personnel							
Mr. Daniel Pludek (until 10 June 2020)	233,683	-	19,885	-	-	-	253,568
	835,040	-	51,274	3,734	-	14,378	904,426
2019							
Directors:							
Bryan Petereit	306,949	-	20,520	22,873	-	-	350,342
Michael Norster	54,000	-	4,750	-	-	-	58,750
Michael Kay (until 19 March 2019)	72,619	-	6,899	-	-	-	79,518
Andrew Henderson (from 19 March 2019)	20,000	-	-	-	-	-	20,000
Other Key Management Personnel							
Lorcan Barden (until 1 March 2019)	389,746	40,000	15,390	-	-	-	445,136
Prashant Chandra	243,717	-	21,459	3,424	-	-	268,600
Mr. Daniel Pludek (from 22 March 2019)	78,367	-	6,624	-	-	-	84,991
	1,165,398	40,000	75,642	26,297	-	-	1,307,337

¹ Cash salary and fees: Include movements in annual leave liability and leave entitlements payout upon termination of employment.

² Equity settled options: The value of options granted is expensed over the vesting period and are a non-cash accounting expense.

The remuneration details above, for both financial years were 100% not related to performance.

(c) Service agreements

Name:	Andrew Henderson
Title:	Non-Executive Chairman
Agreement commenced:	19 March 2019
Term of agreement:	Open
Details:	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Name:	Michael Norster
Title:	Non-Executive Director
Agreement commenced:	29 May 2018
Term of agreement:	Open
Details:	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Name:	Prashant Chandra
Title:	Managing Director & CEO
Agreement commenced:	22 October 2019
Term of agreement:	Open
Details:	On termination, resignation, retirement or removal from office for any reason, the CEO shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CEO in respect of his retirement or any unexpired portion of the term of his appointment.

Name:	Nicholas Smedley
Title:	Non-Executive Director
Agreement commenced:	6 March 2020
Term of agreement:	Open
Details:	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Group or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

(d) Share-based compensation*Issue of shares*

During the year ended 30 June 2020, there have been no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

Issue of options over ordinary shares

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	No. of options granted during the year	No. of options granted during the prior year	No. of options vested during the year	No. of options vested during the prior year
Prashant Chandra	4,500,000 ¹	-	-	-

¹ On 24 July 2019, Mr Chandra was granted 4,500,000 options across three (3) equal tranches, with exercise prices of \$0.05, \$0.075 and \$0.10 for each tranche. All options vest in three (3) years from grant date and expire in two (2) years from vesting date.

Options granted carry no dividend or voting rights.

There were no options held by the directors of other key management personnel which were exercised or lapsed during the year.

(e) Relationship between the remuneration policy and group performance

Remuneration of Executives consists of an unrisks element (base pay) and share bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

Non-executive director's remuneration is not affected by the Group performance.

(f) Key management personnel disclosures*Shareholding*

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received as part of remuneration	Purchases	Disposals/ other	Balance at the end of the year
Andrew Henderson	4,651,765	-	-	-	4,651,765
Michael Norster	137,060,887	-	-	-	137,060,887
Bryan Petereit (until 22 October 2019)	21,237,521	-	-	(21,237,521) ¹	-
Prashant Chandra	222,222	-	-	-	222,222
Nicholas Smedley (from 6 March 2020)	-	-	1,571,647	66,666,666 ²	68,238,313
Daniel Pludek (until 10 June 2020)	-	-	-	-	-

¹ Represents the shareholding balance on 22 October 2019 when Bryan Petereit ceased to be a key management personnel

² Represents the shareholding balance on 6 March 2020 when Nicholas Smedley became a key management personnel

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

Name	Balance at the start of the year	Granted as remuneration	Exercised	Expired, forfeited and other	Balance at the end of the year
Andrew Henderson	444,444	-	-	-	444,444
Michael Norster	2,055,555	-	-	-	2,055,555
Bryan Petereit (until 22 October 2019)	277,777	-	-	277,777 ¹	-
Prashant Chandra	911,111	4,500,000	-	-	5,411,111
Nicholas Smedley (from 6 March 2020)	-	-	-	- ²	-
Daniel Pludek (until 10 June 2020)	-	-	-	-	-

¹ Represents the option holding balance on 22 October 2019 when Bryan Petereit ceased to be a key management personnel

² Represents the option holding balance on 6 March 2020 when Nicholas Smedley became a key management personnel

Other transactions with key management personnel

During the year ended 30 June 2020 the Group had the following transactions with Blue NRG, an entity in which Mr Michael Norster is a director:

- revenue from contract with customer of \$1,466,282 (receivable balance of \$98,809 outstanding at year end)
- payment for electricity supplied of \$7,311

There were no other transactions with key management personnel during the period not disclosed above.

[End of Remuneration Report]

Shares under options

(a) Unissued ordinary shares

Unissued ordinary shares under options of the Company as at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Options over ordinary shares
28-Sep-15	28-Sep-20	\$0.333	750,000
9-Mar-18	8-Mar-22	\$0.250	1,250,000
4-Oct-18	4-Oct-21	\$0.060	8,555,547
21-Dec-18	21-Dec-21	\$0.060	2,777,776
24-Jul-19	23-Jul-24	\$0.050	1,500,000
24-Jul-19	23-Jul-24	\$0.075	1,500,000
24-Jul-19	23-Jul-24	\$0.100	1,500,000
15-Jun-20	14-Jun-24	\$0.020	175,000
15-Jun-20	14-Jun-25	\$0.020	175,000
23-Jul-20	22-Jul-24	\$0.050	666,666
23-Jul-20	22-Jul-24	\$0.075	666,666
23-Jul-20	22-Jul-24	\$0.100	666,668
			20,183,323

(b) Shares issued upon the exercise of options

During the current financial year, no ordinary shares were issued upon the exercise of options

Proceedings on behalf of the Company

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

Insurance of officers and indemnities

The Group has indemnified the Directors and Executives of the Group for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability 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.

Insurance of auditors and indemnities

The Group has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditors. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditors of the Group or any related entity.

Non-audit services

There have been no amounts paid or payable to the current auditors for non-audit services provided during the year.

Auditor's independence declaration

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

Corporate governance statement

In accordance with ASX listing Rule 4.10.3, the Company's 2020 Corporate Governance Statement can be found on its website at www.ad1holdings.com.au.

The Directors report has been issued following a resolution of the Directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.

For and on behalf of the Board,



Mr Prashant Chandra
Managing Director & CEO

Melbourne
31 August 2020

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AD1 HOLDINGS LIMITED

In relation to our audit of the financial report of AD1 Holdings Limited for the year ended 30 June 2020, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



PKF
Melbourne, 31 August 2020



Kenneth Weldin
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from continuing operations			
Revenue from contracts with customers	4	3,400,947	1,953,586
Other income	5	251,069	465,611
Interest income		2,899	1,913
		3,654,915	2,421,110
Expenses			
Employee benefit expense	6	(2,933,314)	(2,787,791)
Software development and other IT expense		(1,214,419)	(1,118,016)
Consulting and professional service expense		(1,024,206)	(1,805,249)
Advertising and marketing expense		(74,634)	(670,172)
Occupancy, utilities and office expense		(149,052)	(190,228)
Depreciation and amortisation expense	6	(227,013)	(53,874)
Travel expense		(27,413)	(55,542)
Interest expense	6	(17,238)	(4,177)
Other expense		(132,567)	(118,172)
Total expenses		(5,799,856)	(6,803,221)
Loss before income tax		(2,144,941)	(4,382,111)
Income tax expense	8	(36,217)	-
Loss for the year		(2,181,158)	(4,382,111)
Other comprehensive income			
<i>Other comprehensive income for the year, net of tax</i>		-	-
Total comprehensive loss for the year		(2,181,158)	(4,382,111)
Earnings per share attributable to the ordinary equity holders of the Group:			
Basic earnings per share	7	(0.41)	(1.50)
Diluted earnings per share	7	(0.41)	(1.50)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 \$	30 June 2019 (Restated) \$
ASSETS			
Current assets			
Cash and cash equivalents	9	459,742	838,987
Trade and other receivables	10	771,073	702,123
Total current assets		1,230,815	1,541,110
Non-current assets			
Property, plant and equipment	11	177,397	56,847
Other non-current assets		82,327	67,700
Intangible assets	12	1,473,158	1,596,851
Total non-current assets		1,732,882	1,721,398
Total assets		2,963,697	3,262,508
LIABILITIES			
Current liabilities			
Trade and other payables	13	490,509	525,494
Employee benefit obligations	14	157,986	277,721
Current tax liabilities		525,216	489,000
Lease liability	17	85,690	-
Contract Liability	4(c)	80,099	13,140
Total current liabilities		1,339,500	1,305,355
Non-current liabilities			
Employee benefit obligations	14	24,100	69,189
Lease liability	17	48,187	-
Total non-current liabilities		72,287	69,189
Total liabilities		1,411,787	1,374,544
Net assets		1,551,910	1,887,964
EQUITY			
Share capital	15	26,368,683	24,535,633
Reserve	16	53,702	598,198
Accumulated losses		(24,870,475)	(23,245,867)
Total equity		1,551,910	1,887,964

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2018		20,439,014	1,428,928	(19,013,142)	2,854,800
Loss for the year		-	-	(4,382,111)	(4,382,111)
Total comprehensive loss for the year		-	-	(4,382,111)	(4,382,111)
Transactions with owners in their capacity as owners:					
Shares issued	15(b)	4,136,222	-	-	4,136,222
Capital raising costs	15(b)	(39,603)	-	-	(39,603)
Share-based payment expense	16(b)	-	4,599	-	4,599
Options expired/forfeited	16(b)	-	(835,329)	149,386	(685,943)
		4,096,619	(830,730)	149,386	3,415,275
Balance at 30 June 2019		24,535,633	598,198	(23,245,867)	1,887,964
Adjustment - adoption of AASB 16	2(a)(i)	-	-	(7,252)	(7,252)
Opening balance at 1 July 2019		24,535,633	598,198	(23,253,119)	1,880,712
Loss for the year		-	-	(2,181,158)	(2,181,158)
Total comprehensive loss for the year		-	-	(2,181,158)	(2,181,158)
Transactions with owners in their capacity as owners:					
Shares issued	15(b)	1,833,050	-	-	1,833,050
Options granted	16(b)	-	4,476	-	4,476
Options expired/forfeited	16(b)	-	(564,490)	563,802	(688)
Share-based payment expense	16(b)	-	15,518	-	15,518
		1,833,050	(544,496)	563,802	1,852,356
Balance at 30 June 2020		26,368,683	53,702	(24,870,475)	1,551,910

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.

Statement of Cash Flows for the Period

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		3,638,091	2,403,920
Payments to suppliers and employees		(6,308,374)	(7,494,615)
Government grants and tax incentives (less costs)		584,198	424,916
Interest income		2,899	2,007
Interest and other costs of finance paid		(7,350)	(4,617)
Net cash (outflow) from operating activities	21	(2,090,536)	(4,668,389)
Cash flows from investing activities			
Acquisition of Utility Software Services Pty Ltd (net of cash acquired)		-	838,895
Payments for property, plant and equipment		(14,738)	(27,020)
Payments for office rental deposit		(14,626)	-
Net cash (outflow)/inflow from investing activities		(29,364)	811,875
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		1,833,050	2,010,000
Capital raising costs		-	(43,563)
Repayments of lease liabilities		(92,395)	-
Net cash inflow from financing activities		1,740,655	1,966,437
Net (decrease) in cash and cash equivalents		(379,245)	(1,890,077)
Cash and cash equivalents at the beginning of the financial year		838,987	2,729,064
Cash and cash equivalents at end of period	9	459,742	838,987

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.

Notes to the Financial Statements

1. General information and basis of preparation

(a) Corporate information

The financial statements cover AD1 Holdings Limited (formerly ApplyDirect Limited) (the "Company") and its controlled entity (together referred to as, we, us, our, AD1, Group) for the year ended 30 June 2020. The Company is a 'for profit' company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Group's principal activities are providing and delivering of software services and technology platforms to its customers, and other related supporting and consulting services.

(b) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a 'for-profit' entity for the purpose of preparing the financial statements.

(i) *Compliance with IFRS*

The financial statements of AD1 comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) *Historical cost convention*

These financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments to fair value.

(iii) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(iv) *Principles of consolidation*

These financial statements include the assets and liabilities of the Company and its controlled entity as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entity from the date on which we gain control until the date we cease control.

The acquisition method of accounting is used to account for business combinations by the Group - refer to note 3(d). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The financial statements of the controlled entity are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

(c) Going concern

During the year ended 30 June 2020, the Group recorded a consolidated loss of \$2,181,158 (2019: \$4,382,111) and net cash outflow from operating activities of \$2,090,536 (2019: \$4,668,389). These conditions indicate a material uncertainty that may cast doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the Group as a going concern, the Directors have considered the following:

- recent contract wins, existing revenue streams and the revenue pipeline of the Group;
- the cost rationalisation program completed during the year and the Group's ability to manage its cost run rate;
- the successful capital raise of approximately \$1.83 million as part of the recent placement to a cornerstone investor and share purchase plan during the year; and
- the Group's ability to consider available non-dilutive funding alternatives should there be a requirement to manage any short-term timing impacts to the cash flows.

Based on these factors, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgments and have concluded that the range of possible outcomes considered in arriving at this support the entity's ability to continue as a going concern as at the date of this report.

Accordingly, the financial statements have been prepared on a going concern basis, which contemplates that continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business, and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(d) Restatement of comparatives

During the year ended 30 June 2020, the Group reassessed the valuation of the net identifiable assets of Utility Software Services Pty Ltd acquired on 22 March 2019 and concluded that an adjustment of \$162,424 is required to be made to the 30 June 2019 comparatives as previously reported. Accordingly, the Group has restated the comparatives at 30 June 2019, as below:

Consolidated statement of financial position	Previously reported	Restatement	Restated
	\$	\$	\$
Trade and other receivables	539,699	162,424	702,123
Intangible assets	1,759,275	(162,424)	1,596,851

The correction does not result in any change on the Group's total asset, net assets or net operating results for the comparative period.

(e) Reclassification of expenses

The Group has reclassified and recategorised several comparative expense items to align with the current period presentation. This reclassification does not result in any change on the total expense incurred or net loss of the previous period. Details of the reclassification are provided in the below table:

Consolidated statement of profit or loss and other comprehensive income	Previously reported	Reclassification	Reclassified
	\$	\$	\$
<i>Expenses</i>			
Employee benefit expense	(2,787,791)	-	(2,787,791)
Software development and other IT expense	(1,040,125)	(77,891)	(1,118,016)
Consulting and professional service expense	(1,722,988)	(82,261)	(1,805,249)
Advertising and marketing expense	(723,295)	53,123	(670,172)
Occupancy, utilities and office expense	-	(190,228)	(190,228)
Depreciation and amortisation expense	-	(53,874)	(53,874)
Amortisation expense	(23,287)	23,287	-
Travel expense	(51,545)	(3,997)	(55,542)
Interest expense	(4,177)	-	(4,177)
Other expense	(450,013)	331,841	(118,172)
Total expenses	(6,803,221)	-	(6,803,221)

2. New and amended standards and interpretations

(a) New and amended standards adopted by the group

The Group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

(i) AASB 16 Leases

AASB 16 Leases ("AASB 16") replaces AASB 117 *Leases* ("AASB 117") and AASB Interpretation 4 *Determining whether an arrangement contains a lease* ("Interpretation 4"). AASB 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings (or accumulated losses) for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and Interpretation 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 12.95% per annum. The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

For leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16 at 1 July 2019:

	Carrying amount at 30 June 2019	Remeasurement	AASB 16 Carrying amount at 1 July 2019
	\$	\$	\$
Property, plant and equipment	56,847	35,413	92,260
Lease liability	-	(42,665)	(42,665)
Impact on equity	56,847	(7,252)	49,595

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liability recognised at 1 July 2019:

	\$
Operating lease commitments at 30 June 2019 (less than 12 months) - as per AASB 117	44,292
Operating lease liability – before discounting	44,292
Discounted using incremental borrowing rate	(1,627)
Lease liability at 1 July 2019 – as per AASB 16	42,665

(ii) Other pronouncements

There were no other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted, that have a significant impact on the Group's financial results or position.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

3. Significant accounting policies

(a) Revenue from contracts with customers

Revenue arises mainly from SaaS, managed services, IT development and consulting and digital marketing.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognise the revenue when/as performance obligation(s) are satisfied.

The Group enters into transactions involving a range of the Group's products and services, for example for the delivery of managed services, IT consulting, software development etc. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liability in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(i) Revenue from rendering of services

Revenue from rendering of services include SaaS and managed services and digital marketing.

SaaS and managed services relate to access to, and use of, software including associated hosting and maintenance. This service is considered a single performance obligation as the customer simultaneously receives and consumes the benefit as the services are rendered. Managed services also include business process outsourcing, which relates to provision of various front and back of house services as detailed in the customer contract. As the services provided can be reliably measured as having been rendered and consumed by the customer, revenue is recognised on a straight-line basis monthly over the life of the contract in line with the service period.

Digital marketing services relates to promotion of employer jobs and other marketing campaigns advertised on AD1 websites. Revenue is recognised on a monthly basis over the campaign or service period.

(ii) Revenue from fees

Revenue from fees include IT development and consulting.

IT development activities relate to services involving initial development and implementation of software, subsequent functionality enhancements and new integrations. Consulting is IT professional services offered as a compliment to the broader range of services provided by the Group. Revenue for IT development and consulting is recognised at fair value and where applicable, when services are rendered and invoiced on a time and materials basis or for larger IT projects, when the fulfilment of each performance obligation (milestone) as defined in the commercial contract is satisfied.

(b) Government grants

The research and development ("R&D") tax offset ("R&D tax offset"), also known as the R&D Tax Incentive, replaced the R&D Tax Concession for research and development expenditure incurred in income years commencing on or after 1 July 2011. It provides for a 43.5% refundable tax offset for eligible R&D entities with an aggregated turnover of less than \$20 million per annum that are not controlled by exempt entities ("refundable R&D credit"), or a non-refundable 38.5% tax offset for all other eligible companies.

For financial reporting purposes, the R&D tax offset can be analogised as a government grant or an income tax item. General practice is that refundable R&D credits are accounted for as government grants.

The Directors have considered AASB 112 Income Taxes ("AASB 112") and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance ("AASB 120"). Given the above the directors have determined to recognise the R&D amount in accordance with AASB 120.

Government grants are recognised as income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(c) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Tax consolidated group

Under Australian taxation law, the Company and its Australian wholly owned entity (member) will form a tax consolidated group from 22 March 2019 and are treated as a single entity for income tax purposes. The Company is the head entity of the Group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the Group.

Entities within the tax consolidated group have entered into a tax sharing agreement and a tax funding agreement with the head entity. The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its Group payment obligations and the treatment where a member exits the tax consolidated Group.

Under the tax funding agreement, the head entity and each of the members have agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the members. The Company will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

There are no amounts receivable or payable by the Company or members under the tax funding agreement in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(e) Cash and cash equivalents

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

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment

For trade receivables, the Group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of trade and other receivables. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

(g) Plant and equipment

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

The carrying amount of property, 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 value in determining recoverable amounts. Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised as the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on a straight-line basis over the asset's estimated useful life to the Group commencing from the time the asset is held ready for use. The useful life for each class of depreciable assets is:

- Office furniture and equipment 1-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(h) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 3(d). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Licences and customer contracts

Separately acquired licences are shown at historical cost. Licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, over their useful life.

(iv) Research and development

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure, and the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Development costs are capitalised only in accordance with this accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

(v) Amortisation methods and periods

Refer to note 12(a) for details about amortisation methods used by the Group for intangible assets.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Trade and other payables

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

(k) Contract liabilities

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under contract liabilities.

(l) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(m) Employee benefits*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

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

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(n) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan and an employee share scheme collectively known as employee equity incentive plan ("EEIP"). In addition to this, other share-based payments are undertaken for certain goods and services provided to the Group.

The fair value of Options granted under the EEIP is recognised as an employee benefits expense with a corresponding increase in equity (other share-based payments are recognised in the statement of profit or loss or directly in equity depending upon goods or services received).

The total amount to be expensed is determined by reference to the fair value of the Options granted, which included any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of Options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The EEIP is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Under the EEIP, participants may be granted Shares, Options and/ or performance rights. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the EEIP or to receive any guaranteed benefits.

(o) Leases

As described in Note 2(a), the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 Leases ("AASB 117") and AASB Interpretation 4 *Determining whether an arrangement contains a lease* ("Interpretation 4").

(i) Accounting policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee:

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct

costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

(ii) Accounting policy applicable before 1 July 2019

Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(p) Contributed equity

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

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the loss attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year

(ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing:

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

(r) Goods and Services Tax (GST)

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

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

(s) Operating segment

The Group operates in one segment, being the provision and delivery of software services and technology platforms to its customers, and other related supporting and consulting services. The segment details are therefore fully reflected in the body of the financial report.

(t) Critical accounting estimates and assumptions

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

(i) Deferred tax assets

The Group has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 *Income Taxes* and the fact the Group has not previously generated taxable income.

(ii) Intangible assets

Licenses and customer contracts acquired in a business combination are recognised at fair value on acquisition date. In the process of determining this value, management has exercised judgment and estimation on the useful life of the assets.

(iii) Share based payments

The determination of the fair value of options granted requires the utilisation of numerous variables. The fair value at grant date was determined using a binomial, Black-Scholes or barrier option pricing model.

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

(iv) Impairment of goodwill

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.

4. Revenue from contracts with customers**(a) Disaggregation of revenue from contracts with customers**

	2020	2019
	\$	\$
<i>Rendering of services disaggregation:</i>		
SaaS and Managed Services (including Business Process Outsourcing)	2,556,058	1,079,531
IT Development and Consulting	823,208	497,136
Digital Marketing	21,681	376,919
	3,400,947	1,953,586
<i>Timing of revenue recognition:</i>		
At a point in time	823,208	497,136
Over time	2,577,739	1,456,450
	3,400,947	1,953,586

(b) Information about major customers:

The Group had the following major customers with revenues amounting to 10 percent or more of the total group revenues:

	2020	2019
	%	%
Customer A	43	21
Customer B	16	17
Customer C	14	*

* Less than 10%

(c) Contract liabilities

Contract liabilities include deferred service income from payments received or invoices issued in advance of performance that are expected to be recognised as revenue within the next reporting period.

5. Other income

	2020	2019
	\$	\$
R&D incentive	251,069	465,611

6. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

	2020	2019
	\$	\$
<i>Employee benefit expense</i>		
Share-based payment	19,305	(680,532)
Salaries and wages	2,733,639	2,809,280
Superannuation	250,949	244,434
Other employee related expenses	(70,579)	414,609
	2,933,314	2,787,791
<i>Depreciation and amortisation expense</i>		
Depreciation of right-of-use assets	78,131	-
Depreciation of other property, plant and equipment	25,189	30,587
Amortisation of intangible assets	123,693	23,287
	227,013	53,874
<i>Interest expense</i>		
Interest expense on lease liability	9,888	-
Other interest expenses	7,350	4,177
	17,238	4,177

During the year ended 30 June 2020, the Group recognised \$810,020 of expenditure related to R&D activities in profit or loss.

7. Earnings per share

(a) Basic & diluted earnings per share

	2020	2019
	Cents	Cents
Basic earnings per share	(0.41)	(1.5)
Diluted earnings per share	(0.41)	(1.5)

(b) Reconciliation of loss used in calculating earnings per share

	2020	2019
	\$	\$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted earnings per share	(2,181,158)	(4,382,111)

(c) Weighted average number of shares used as denominator

	2020	2019
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted earnings per share	532,061,638	292,221,513

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2020 and 30 June 2019 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation

8. Income Tax Expense**(a) Income tax expense**

	2020	2019
	\$	\$
Current tax	-	-
Adjustment to tax liabilities of USS (pre-acquisition)	36,217	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
	\$	\$
Loss from continuing operations before income tax expense	(2,144,941)	(4,382,111)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(589,859)	(1,205,081)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-assessable R&D rebate	(69,044)	(128,043)
Non-allowable expenses	100,718	177,754
Tax losses and other timing differences for which no DTA is recognised	558,185	1,155,370
Current tax expense	-	-
Adjustment to tax liabilities of USS (pre-acquisition)	36,217	-
Income tax expense	36,217	-

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 27.5% (2019: 27.5%) disclosed in the table below have not been recognised given the recognition requirements of AASB 112 and the fact the Group has not previously generated taxable income.

	2020	2019
	\$	\$
<i>Deferred tax assets not recognised at the reporting date</i>		
Unused tax losses	20,482,320	18,452,556
Potential tax benefit at 27.5% (2019: 27.5%)	5,632,638	5,074,453

9. Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank	459,742	838,987

10. Trade and other receivables

	2020	2019 (Restated)
	\$	\$
<i>Current</i>		
Trade receivables	213,606	52,663
Unbilled revenue	179,071	162,424
Prepayments	33,651	9,555
GST receivable	42,000	11,870
R&D tax claim receivable	308,314	465,611
Less: allowance for expected credit losses	(5,569)	-
	771,073	702,123

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Allowance for expected credit losses

The Group has recognised a loss of \$5,569 in profit or loss in respect of the expected credit losses for the year ended 30 June 2020. Note 23(b) includes disclosures relating to the credit risks exposures and analysis relating to the allowance for expected credit losses.

11. Property, plant and equipment

	Office furniture and equipment	Right-of-use asset	Total
	\$	\$	\$
As at 30 June 2018			
Cost	74,927	-	74,927
Accumulated depreciation	(40,341)	-	(40,341)
Net book value	34,586	-	34,586
<i>Movements:</i>			
Opening net book value	34,586	-	34,586
Acquisition via business combinations	27,133	-	27,133
Additions	27,020	-	27,020
Disposals	(6,956)	-	(6,956)
Depreciation charge	(24,936)	-	(24,936)
Closing net book value	56,847	-	56,847
As at 30 June 2019			
Cost	134,088	-	134,088
Accumulated depreciation	(77,241)	-	(77,241)
Net book value	56,847	-	56,847
<i>Movements:</i>			
Opening net book value	56,847	-	56,847
Adjustment - adoption of AASB 16	-	35,413	35,413
Additions	14,738	173,719	188,457
Disposals	-	-	-
Depreciation charge	(25,189)	(78,131)	(103,320)
Closing net book value	46,396	131,001	177,397
As at 30 June 2020			
Cost	142,425	386,199	528,624
Accumulated depreciation	(96,029)	(255,198)	(351,227)
Net book value	46,396	131,001	177,397

Information on the right-of-use assets are presented in note 17(a).

12. Intangible assets

	Goodwill (Restated)	Software & licenses	Customer contracts	Total
	\$	\$	\$	\$
As at 30 June 2018				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Net book value	-	-	-	-

Movements:

Opening net book value	-	-	-	-
Acquisition via business combinations	1,195,139	201,801	223,198	1,620,138
Amortisation and/or impairment charge	-	(11,057)	(12,230)	(23,287)
Closing net book value	1,195,139	190,744	210,968	1,596,851

As at 30 June 2019

Cost	1,195,139	201,801	223,198	1,620,138
Accumulated amortisation	-	(11,057)	(12,230)	(23,287)
Net book value	1,195,139	190,744	210,968	1,596,851

Movements:

Opening net book value	1,195,139	190,744	210,968	1,596,851
Amortisation and/or impairment charge	-	(40,692)	(83,001)	(123,693)
Closing net book value	1,195,139	150,052	127,967	1,473,158

As at 30 June 2020

Cost	1,195,139	201,801	223,198	1,620,138
Accumulated amortisation	-	(51,749)	(95,231)	(146,980)
Net book value	1,195,139	150,052	127,967	1,473,158

(a) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Software & licenses: 5 years
- Customer contracts: 3 years

See note 3(h) for other accounting policies relevant to intangible assets and note 3(i) the Group's policy regarding impairments.

The customer contracts were acquired as part of a business combination in the prior year. They were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(b) Impairment test for goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The following key assumptions are used:

- Discount rate is the weighted average cost of capital (WACC) for the Group, estimated at 12% per annum.
- Revenue growth rate of between 20% to 30% per annum from FY21 to FY25, generating an annual gross margin of 25% to 30%.
- Overheads % of revenue rate of between 20% to 25% per annum from FY21 to FY25.
- Terminal value is calculated based on a growth rate of 1% per annum.

The inherent nature of future projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including, revenue growth, gross margin, and overheads rate. As a result, the Group has conducted a sensitivity analysis on the recoverable amount. Based on this analysis, the Group's projected results will need to achieve a minimum annual gross margin and maximum overheads % of revenue rate of 25% and 25%, respectively for there to be no impairment charge.

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

13. Trade and other payables

	2020	2019
	\$	\$
<i>Current</i>		
Trade payables	195,867	248,572
Accruals	124,016	111,455
Other payables	170,626	165,467
	490,509	525,494

Information on the liquidity risk management are presented in note 23(c).

14. Employee benefit obligations

	2020	2019
	\$	\$
<i>Current</i>		
Annual leave	157,986	277,721
	157,986	277,721
<i>Non-current</i>		
Long -service leave	24,100	69,189
	24,100	69,189

Amounts not expected to be settled within the next 12 months

The current provision for annual leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire balance is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. The amount of annual leave balance that is not expected to be taken or paid within the next 12 months is \$48,401.

15. Share capital

(a) Ordinary shares

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares – full paid	548,058,530	425,855,214	26,368,683	24,535,633
	548,058,530	425,855,214	26,368,683	24,535,633

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholder 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. The ordinary shares have no par value.

(b) Movements in ordinary share capital

	Number of shares	\$
As at 1 July 2018	222,299,656	20,439,014
Issue of new ordinary shares under private placements	70,666,665	2,010,000
Less: transaction costs	-	(39,603)
Issue of new ordinary shares	132,888,893	2,126,222
As at 30 June 2019	425,855,214	24,535,633
Issue of new ordinary shares to a cornerstone investor	66,666,666	1,000,000
Issue of new ordinary shares under Share Purchase Plan	55,536,650	833,050
As at 30 June 2020	548,058,530	26,368,683

Date	Details	Number of shares	Issue price \$	Amount \$
2019				
4-Oct-18	Issue of shares to sophisticated investors under private placement	25,666,667	0.030	770,000
21-Dec-18	Issue of shares to sophisticated investors under private placement	8,333,332	0.030	250,000
22-Mar-19	Issue of shares to sophisticated investors under private placement	36,666,666	0.027	990,000
22-Mar-19	Issue of shares for the acquisition of a subsidiary	132,888,893	0.016	2,126,222
		203,555,558		4,136,222
2020				
19-Jul-19	Issue of shares to a cornerstone investor	43,333,333	0.015	650,000
30-Aug-19	Issue of shares under the Share Purchase Plan	55,536,650	0.015	833,050
13-Sep-19	Issue of shares to a cornerstone investor	23,333,333	0.015	350,000
		122,203,316		1,833,050

16. Reserve

(a) Options reserve

	2020 Options	2019 Options	2020 \$	2019 \$
Options over ordinary shares	18,183,323	57,399,053	53,702	598,198
	18,183,323	57,399,053	53,702	598,198

The reserve is used to recognise:

- The fair value of options issued to employees but not exercised; and
- The fair value of options issued for goods and services received but not exercised.

(b) Movements in options reserve

	Number of options	\$
As at 1 July 2019	60,069,478	1,428,928
Issue of new options over ordinary shares	20,333,323	199,262
Share based payments expense	-	4,599
Options forfeited/expired	(23,003,748)	(1,034,591)
As at 30 June 2019	57,399,053	598,198
Issue of new options over ordinary shares	4,850,000	4,476
Share based payments expense	-	15,518
Options forfeited/expired	(44,065,730)	(564,490)
As at 30 June 2020	18,183,323	53,702

Date	Details	Number of options	Amount \$
<i>2019</i>			
1-Jul-18	Issue of share-based payments under EEIP to employees	9,000,000	-
19-Jul-18	Options expired	(233,766)	(3,740)
27-Jul-18	Options expired	(825,174)	(53,637)
23-Sep-18	Options expired	(194,808)	(6,039)
4-Oct-18	Capital raise options issued – October 2018	8,555,547	-
16-Dec-18	Options expired	(600,000)	(40,000)
16-Dec-18	Options expired	(600,000)	(40,000)
21-Dec-18	Capital raise options issued – December 2018	2,777,776	-
31-Dec-18	Issue of options under ESOP to employees	-	199,262
1-Mar-19	Options forfeited	(11,000,000)	(883,496)
1-Mar-19	Options forfeited	(9,000,000)	-
12-Feb-19	Options forfeited	(300,000)	(1,709)
16-Jun-19	Options expired	(250,000)	(5,970)
30-Jun-19	Share-based payment expense for options granted in prior period	-	4,599
		(2,670,425)	(830,730)

2020

24-Jul-19	Options granted	4,500,000	4,447
18-Aug-19	Options lapsed	(125,000)	(2,985)
23-Aug-19	Options lapsed	(750,000)	(17,913)
4-Sep-19	Options lapsed	(750,000)	(17,913)
8-Sep-19	Options lapsed	(250,000)	(5,971)
29-Sep-19	Options lapsed	(500,000)	(11,942)
5-Oct-19	Options lapsed	(1,000,000)	(23,883)
11-Oct-19	Options forfeited	(75,000)	(688)
13-Oct-19	Options lapsed	(50,000)	(1,194)
28-Nov-19	Options lapsed	(1,000,000)	(23,883)
1-Dec-19	Options lapsed	(950,000)	(22,689)
11-Dec-19	Options lapsed	(250,000)	(5,971)
18-Dec-19	Options lapsed	(875,000)	(20,898)
20-Dec-19	Options lapsed	(13,879,834)	-
28-Jan-20	Options lapsed	(4,928,119)	-
19-Feb-20	Options lapsed	(277,777)	-
27-Apr-20	Options lapsed	(15,000,000)	(345,000)
30-Apr-20	Options lapsed	(3,405,000)	(63,560)
15-Jun-20	Options granted	350,000	29
30-Jun-2020	Share-based payment expense for options granted in prior period	-	15,518
		(39,215,730)	(544,496)

(c) Outstanding options

As at 30 June 2020, the Group had the following unlisted options in existence:

Grant date	Expiry date	Exercise price	Number of options
28-Sep-15	28-Sep-20	\$0.333	750,000
9-Mar-18	8-Mar-22	\$0.250	1,250,000
4-Oct-18	4-Oct-21	\$0.060	8,555,547
21-Dec-18	21-Dec-21	\$0.060	2,777,776
24-Jul-19	23-Jul-24	\$0.050	1,500,000
24-Jul-19	23-Jul-24	\$0.075	1,500,000
24-Jul-19	23-Jul-24	\$0.100	1,500,000
15-Jun-20	14-Jun-24	\$0.020	175,000
15-Jun-20	14-Jun-25	\$0.020	175,000
			18,183,323

17. Leases

(a) Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2020	2019
Current	85,690	-
Non-current	48,187	-
	133,877	-

The Group has leases for the main office and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 11).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For the main office lease, the Group must keep the premise in a good state of repair and return the premise in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contract.

Key terms of the main office lease are summarised below:

- Remaining terms: 18 months
- Option to purchase: No
- Variable payments linked to an index: No
- Termination option: No

The lease liability for the main office is secured by a long-term guarantee deposit. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payments due						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
	\$	\$	\$	\$	\$	\$	\$
Lease payments	98,124	50,024	-	-	-	-	148,148
Finance charges	(12,434)	(1,837)	-	-	-	-	(14,271)
Net present values	85,690	48,187	-	-	-	-	133,877

(b) Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for leases of low value assets. Payments made under such leases are expensed on a straight-line basis, which amounted to \$3,846 in the current financial year.

As at 30 June 2020, the Group was not committed to any other short-term leases, variable leases payments that were not recognised as a lease liability, or to any leases which had not yet commenced.

(c) Additional disclosures

- Expense incurred in relation to low value asset was \$3,846
- Total cash outflow for leases for the year ended 30 June 2020 was \$101,586 for the office lease and 4,230 for the low value asset.
- The Group has not entered into any operating lease arrangements as lessor.

18. Share based payments

The Company's Employee and Executive Incentive Plan ("EEIP") is designed to provide long-term incentives for eligible employees to deliver long-term shareholder returns. Under the EEIP, participants are granted options over ordinary shares. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

(a) Options granted during the period

		2020	2020	2019	2019
	Note	Number of options	Average exercise price \$	Number of options	Average exercise price \$
Opening balance	16	57,399,053	0.17	60,069,478	0.34
Granted during the year	16	4,850,000	0.07	20,333,323	0.06
Exercised during the year		-	-	-	-
Forfeited/expired during the year	16	(44,065,730)	0.20	(23,003,748)	0.15
Closing balance	16	18,183,323	0.09	57,399,053	0.17

(b) Fair value of options granted

The assessed fair value of options granted at grant date was determined using the barrier option pricing model that takes into account the exercise price, barrier price, life of the options, share price at grant date, the expected share price volatility of the underlying share, the expected dividend yield, the risk-free rate for the life of the options, as following:

Grant date	Expirydate	Exercise price \$	No. of options granted	Share price at grant date \$	Dividend Yield	Expected volatility	Risk-free Interest Rate	Fair value at grant date \$
24-Jul-19	23-Jul-24	0.050	1,500,000	0.014	Nil	69%	1.00%	6.150
24-Jul-19	23-Jul-24	0.075	1,500,000	0.014	Nil	69%	1.00%	4,500
24-Jul-19	23-Jul-24	0.100	1,500,000	0.014	Nil	69%	1.00%	3,600
15-Jun-20	14-Jun-24	0.020	175,000	0.011	Nil	75%	0.40%	788
15-Jun-20	14-Jun-25	0.020	175,000	0.011	Nil	75%	0.40%	928

(c) Expenses arising from share-based payment transactions

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

	2020 \$	2019 \$
Expense from options granted in current year	4,476	199,262
Expense from options granted in prior year	15,518	4,599
Reversal of expense from options forfeited in current year	(688)	(885,205)
	19,306	(681,344)

19. Investments in controlled entities

The Group's principal subsidiary at 30 June 2020 is set out below. Unless otherwise stated, it has share capital consisting solely of ordinary shares that is held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/county of incorporation	Ownership held by the group		Ownership interest held by non-controlling interests	
		2020	2019	2020	2019
		%	%	%	%
<i>Ultimate parent entity</i>					
AD1 Holdings Limited	Australia				
<i>Controlled entity</i>					
Utility Software Services Pty Ltd	Australia	100	100	-	-

20. Related party transactions

(a) Key management personnel compensation

Below are the key management personnel compensation included within employee benefit expense for the year:

	2020	2019
	\$	\$
Short-term employee benefits	835,040	1,205,398
Long-term employee benefits	3,734	26,297
Post-employment benefits	51,274	75,642
Share-based payments	14,378	(193,528)
	904,426	1,113,809

(b) Other transactions with related parties

The Group had the following transactions with Blue NRG, of which Michael Norster is a director

	2020	2019
	\$	\$
Revenue from contract with customer	1,466,282	416,158
Payment for electricity supplied	7,311	22,905
Receivables for services rendered	98,809	102,648

All transactions were made on normal commercial terms and conditions and at market rates

21. Cash flow information

Reconciliation of loss after income tax to net cash outflow from operating activities (net of acquisitions and disposals of controlled entity balances)

	2020	2019
	\$	\$
Loss for the year	(2,181,158)	(4,382,111)
<i>Adjustment for:</i>		
Depreciation	103,320	24,936
Amortisation	123,693	23,287
Share based payment expense	19,305	(681,344)
Interest expense from lease liabilities	9,888	-
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade receivables	(68,950)	340,105
(Increase)/decrease in other current assets	-	16,589
Increase/(decrease) in accounts payable	(34,988)	(25,307)
Increase/(decrease) in fees in advance	66,959	(61,243)
Increase/(decrease) in provisions	(164,824)	141,412
Increase/(decrease) in other current liabilities	36,219	(64,713)
Net cash outflow from operating activities	(2,090,536)	(4,668,389)

22. Parent entity financial information

(a) Summary financial information

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

	2020	2019
	\$	\$
<i>Statement of financial position</i>		
Current assets	965,080	857,971
Total assets	3,128,114	3,018,800
Current liabilities	433,414	643,124
Total liabilities	449,814	712,313
Share capital	26,368,683	24,535,633
Options Reserve	53,702	598,198
Accumulated losses	(23,744,084)	(22,827,344)
Total equity	2,678,300	2,306,487
<i>Statement of profit and loss and other comprehensive income</i>		
Loss for the year	1,480,542	3,963,589
Total comprehensive loss	1,480,542	3,963,589

(b) Determining the parent entity financial information

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

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of AD1 Holdings Limited.

(ii) Tax consolidation legislation

AD1 Holdings Limited and its wholly-owned Australian controlled entity have implemented a tax consolidation. The parent entity, AD1 Holdings Limited, and the controlled entity within the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, AD1 Holdings 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current 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.

(c) Commitments and contingencies of the parent entity

The parent entity did not have any contingent liabilities or commitments as at 30 June 2020 (2019: nil).

23. Financial risk management

The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Group's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Group's strategy on the management of investment risk is driven by the Group's investment objective. The Group's market risk is managed by the Chief Executive Officer and overseen by the Board.

(i) Currency risk

The Group is not exposed to material currency risk arising from any financial assets or financial liabilities as all material transactions are denominated in Australian dollars.

(ii) *Interest rate risk*

The Group is exposed to interest rate risk via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. To reduce risk exposure, the Group ensures that cash and cash equivalents are placed in high credit quality financial institutions. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities are as follows:

	Interest rate %	Fixed interest rate \$	Floating interest rate \$	Non-interest bearing \$	Total \$
<i>2020</i>					
<i>Financial assets</i>					
Cash at bank		-	459,742	-	459,742
Trade and other receivables		-	-	771,073	771,073
Other non-current assets	1.20	82,327	-	-	82,327
<i>Financial liabilities</i>					
Trade and other payables		-	-	(490,506)	(490,506)
Lease liabilities	12.95	(133,877)	-	-	(133,877)
Net position		(51,550)	459,742	280,567	688,759
<i>2019</i>					
<i>Financial assets</i>					
Cash at bank		-	838,987	-	838,987
Trade and other receivables (restated)		-	-	702,123	702,123
Other non-current assets	1.00	67,700	-	-	67,700
<i>Financial liabilities</i>					
Trade and other payables		-	-	(525,494)	(525,494)
Net position		67,700	838,987	176,629	1,083,316

Sensitivity of profit or loss to movements in market interest rates for instruments with cash flow risk:

	2020 \$	2019 \$
Market interest rates changed by ± 50 basis points	± 258	$\pm 4,195$

(iii) *Price risk*

The Group is not exposed to price risk arising from any financial assets or financial liabilities.

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

	2020	2019
	\$	\$ (Restated)
Cash at bank	459,742	838,987
Receivables	771,073	702,123
Maximum exposure to credit risk	1,230,815	1,541,110

(i) Credit risk management

The credit risk in respect of cash at banks and deposits is managed by only having accounts with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on regular review of the debtors. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 14 and 30 days. The credit terms for customers as negotiated with customers are subject to an approval process which forms part of the overall contract approval when signing up new customers. The ongoing credit risk is managed through regular review of ageing analysis, together with on-going correspondences with customers.

Trade receivables consist of customers within one geographical area (Australia), across two major industries (public and utility sectors).

(ii) Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2020 and 30 June 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 30 June 2020 was determined as follows (for the financial year ended 30 June 2019, the expected credit loss was immaterial):

	Trade receivables days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
	\$	\$	\$	\$	\$
Expected credit loss rate	0%	0%	9%	27%	
Gross carrying amount (\$)	140,803	10,084	62,719	-	213,606
Lifetime expected credit loss (\$)	-	-	5,569	-	5,569

The closing balance of the of the trade receivables loss allowance as at 30 June 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	\$
Loss allowance as at 30 June 2019	-
Loss allowance recognised during the year	5,569
Loss allowance as at 30 June 2020	5,569

(c) Liquidity risk

The Group monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The management monitors cash flows.

The maturity of financial liabilities at reporting date are shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows.

	Interest rate	Less than 12 months	1 -5 years	Total contractual cash flows	Carrying amount of liabilities
	%	\$	\$	\$	\$
2020					
Financial liabilities					
Trade and other payables		490,509	-	490,509	490,509
Lease liabilities	12.95	85,690	48,187	133,877	133,877
		576,199	48,187	624,386	624,386
2019					
Financial liabilities					
Trade and other payables		525,494	-	525,494	525,494
		525,494	-	525,494	525,494

(d) Fair value hierarchy

The following information classifies financial instruments recognised in the statement of financial position at fair value according to the hierarchy stipulated in AASB 7 Financial Instruments: Disclosure ("AASB 7") that reflects the subjectivity of the inputs used in making the measurements as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities; or
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (i.e. unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the directors. The directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

24. Remuneration of auditors

This table below shows the total fees to the Group's external auditors, PKF (2019: Grant Thornton) split between audit and non-audit services.

	2020	2019
	\$	\$
Audit of financial statements	44,000	44,644
Other services	-	16,500
	44,000	61,144

25. Contingencies

The Group had no contingent liabilities at 30 June 2020 (2019: nil).

26. Events occurring after the reporting period

No additional matters or circumstances have occurred subsequent to the financial year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in future financial years.

Directors' Declaration

In the opinion of the Directors of AD1 Holdings Limited:

- (a) the financial statements and notes of the Group are in accordance with Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

Signed in accordance with a resolution of Directors.



Mr Prashant Chandra
Managing Director & CEO

Melbourne
31 August 2020

Independent Auditor's Report to the Members of AD1 Holdings Limited
Report on the Audit of the Financial Report

Our Opinion

We have audited the accompanying financial report of AD1 Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the 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 the accompanying financial report of AD1 Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the Group 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a consolidated loss of \$2,181,158 (2019: \$4,382,111) during the year ended 30 June 2020 and, as of that date, the Group is in a net cash outflow position from operating activities of \$2,090,536 (2019: \$4,668,389). As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion 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 year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Matter and Significance	How our audit addressed the key audit matter
Revenue recognition The Group's operating revenue amounted to \$3,400,947 during the financial year made up of the following revenue streams, namely: • SaaS and Managed Services • IT Development and Consulting Note 3(a) <i>Revenue Recognition</i> describes the accounting policies applicable to distinct revenue streams, noting that revenue is generated both from rendering of services over a period of time and from fees at a point in time. All revenue streams are recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i>. The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to risks associated with revenue recognition and the various recognition points relative to the different revenue streams and performance obligations.	Our audit procedures included, but were not limited to, the following: • considering the appropriateness of management's assessment of revenue streams in accordance with the applicable accounting standard AASB 15; • evaluating a sample of major contracts secured during the financial year by agreeing revenue amounts to the records accumulated as inputs to the financial statements, including billing systems and bank records; • assessing the values recorded and the timing of revenue recognition as appropriate to the completion of performance obligations and the timeframe of delivery; • performing detailed analytical review procedures on the various revenue streams, including an assessment of revenue recorded against supporting documentation to ensure reasonable; • substantiating sales transactions in events of exceptions and/or anomalies to assess whether revenue is being recognised in accordance with the Group's revenue policies; • analytically reviewing deferred revenue balances at balance date to ensure complete and accurate; • assessing the adequacy of disclosures in the financial report for compliance with AASB 15.

Matter and Significance	How our audit addressed the key audit matter
Valuation of Goodwill and Other Intangible Assets As set out in Note 12 of the financial statements, as at 30 June 2020, the Group has intangible assets including goodwill of \$1,473,158 (Restated 2019: \$1,596,851). The accounting policy in respect of these assets is outlined in Note 3(h) <i>Intangible Assets</i>. An annual impairment test for intangible assets is required under AASB 136 <i>Impairment of Assets</i>. The evaluation of the recoverable amount of the Cash Generating Unit (CGU) to which the intangibles are allocated requires the Group to exercise significant judgement in determining key assumptions, which include: • Preparation of a 5-year cash flow forecast; • Preparation of forecasted profit margins and overheads; • Determination of a growth rate and terminal growth factor; • Determination of a discount rate; and • Assumption of the useful life of intangible assets excluding goodwill The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets, including goodwill, is a Key Audit Matter.	Our audit procedures included, but were not limited to, the following: • Assessing and challenging: - o the assumption that one CGU is appropriate in the context of acquisitions and the goodwill and other intangible assets allocated to it; - o the reasonableness of the financial year 2021 budget approved by the Board by comparing it to actual results, trends, strategies and outlooks; - o the assumptions used for forecast profit margins and overheads; - o the assumptions used for the future growth rate and terminal growth rates in the forecast model; and - o the determination of the discount rate applied in the impairment model, comparing to available industry data. • Reviewing the mathematical accuracy of the cash flow models including - o agreeing the inputs in the cash flow model to the reviewed assumptions considered above; and - o reviewing the calculated terminal value. • Assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 12.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and the auditor's report. The Directors are responsible for other information in the annual report.

The other information we obtained prior to the date of this auditor's report was the director's report. The remaining other information is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial report does not cover the other information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this other information in the financial report and based on the work we have performed on the other information that we obtained prior the date of this auditor's report we have nothing to report.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the 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 Group 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

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

Report on the Remuneration Report

Opinion

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of AD1 Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



PKF

Melbourne, 31 August 2020



Kenneth Weldin

Partner

Shareholder Information

The shareholder information set out below was applicable as at 10 August 2020.

A. Distribution of equity securities

Analysis numbers of ordinary share holders by size of holding:

Holding	Securities	%	No. of holders	%
100,001 and Over	533,922,371	97.42	316	40.25
10,001 to 100,000	13,300,760	2.43	332	42.29
5,001 to 10,000	743,154	0.14	82	10.45
1,001 to 5000	89,477	0.02	27	3.44
1 to 1,000	2,769	0.00	28	3.57
	548,058,531	100.00	785	100.00
Unmarketable parcels	305,936	0.06	84	10.70

B. Equity security holders

Twenty largest quoted equity security holders

The Group's twenty largest equity securities holders of quoted equity securities are listed below:

Security holder	Number held	Percentage of issued shares (%)
POTENTATE INVESTMENTS PTY LTD	109,376,043	19.96
MORE CAPITAL HOLDINGS PTY LTD	43,333,333	7.91
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,454,858	6.10
MR CHRISTOPHER KUPERMAN	31,085,981	5.67
POTENTATE INVESTMENTS PTY LTD	28,383,594	5.18
WERNDX PTY LTD	19,431,967	3.55
HAMPTON EAST DEVELOPMENT PTY LTD	9,922,779	1.81
MR JASON SCOTT	8,320,600	1.52
DOVETON KAY INVESTMENTS PTY LTD	7,277,776	1.33
BLUEBELL LODGE PTY LTD	6,602,595	1.20
MORCKSTOW PTY LTD	5,092,000	0.93
VERNBROOK PTY LTD	4,863,435	0.89
NAMEBLANK PTY LTD	4,731,760	0.86
PRAGMATIC PTY LTD	4,663,641	0.85
DUNCLYN INVESTMENTS PTY LTD	4,500,003	0.82
STEWART WILLIAM JACKSON & MICHAEL ALEXANDER JACKSON	4,288,406	0.78
CS FOURTH NOMINEES PTY LIMITED	4,285,955	0.78
COMSEC NOMINEES PTY LIMITED	3,514,578	0.64
G S ANDREWS CONSULTING PTY LTD	3,500,000	0.64
ALLEGRO CAPITAL NOMINEES PTY LTD	3,400,000	0.62
	340,029,304	62.04

Substantial holders

The Group's substantial equity securities holders of quoted equity securities are listed below:

Security holder	Number held	Percentage of issued shares (%)
POTENTATE INVESTMENTS PTY LTD	137,759,637	25.14
MORE CAPITAL HOLDINGS PTY LTD	43,333,333	7.91
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,454,858	6.10
MR CHRISTOPHER KUPERMAN	31,085,981	5.67

C. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Link Market Services Limited
Level 12, 680 George Street, Sydney, New South Wales 2000
Telephone: +61 2 8280 7100

D. Change of address, change of name, consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

E. Annual report

Shareholders do not automatically receive a hardcopy of the Group's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the website www.ad1holdings.com.au

F. Tax file numbers

It is important that Australian resident Shareholders, including children, have their tax file number of exemption details noted by the Share Registry.

G. CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS system should contact their stockbroker.

H. Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/Group's holding.

