

AD1 Holdings Limited

Appendix 4D - Half year report

For the half year ended 31 December 2022

Name of entity:	AD1 Holdings Limited
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the half year ended 31 December 2022
Previous corresponding period:	the half year ended 31 December 2021

Results for announcement to the market

Revenue for ordinary activities	Up	15%	to	\$3,863,361
Net loss after tax for the period attributable to members (from ordinary activities)	Up	203%	to	\$6,486,305
Net loss for the period attributable to members	Up	203%	to	\$6,486,305

Explanation of results

Net loss for the period includes \$2,658,029 impairment charge on intangible assets. Refer to the "Review of operations" on page 1 of the Directors' report for more information.

Net tangible asset per share

	31 December 2022	30 June 2022
Net tangible asset per share (cents)	(0.70)	(0.49)

Dividends

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
Record date for determining entitlements to the dividend - not applicable	-	-

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

Interim review

The interim financial report has been reviewed by AD1 Holdings Limited's independent auditor and the review report is attached as part of the interim report.

AD1 Holdings Limited

ACN 123 129 162

Interim Financial Statements

For the Half Year Ended 31 December 2022

AD1 Holdings Limited

ACN 123 129 162

Contents

For the Half Year Ended 31 December 2022

	Page
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	3
Interim Statement of Profit or Loss and Other Comprehensive Income	4
Interim Statement of Financial Position	5
Interim Statement of Changes in Equity	6
Interim Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	18
Independent Auditor's Review Report	19

AD1 Holdings Limited

ACN 123 129 162

Directors' Report

31 December 2022

Your directors present the interim financial report of AD1 Holdings Limited ("the Company") and the entities it controlled (together, the "Group", or "AD1") for the half year ended 31 December 2022.

Directors

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

Nicholas Smedley	Non-Executive Director (acting as Non-Executive Chairman from 20 January 2023)
Michael Norster	Non-Executive Director
Brendan Kavenagh	Managing Director & CEO
Andrew Henderson	Non-Executive Chairman (Resigned 20 January 2023)

Principal activities and significant changes in nature of activities

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

There were no significant changes in the nature of the Group's principal activities during the financial half year.

Review of operations

Revenue from contracts with customers had increased by \$464,369 as compared with the prior half year despite the loss of key customers in Utility Services Software Pty Ltd (USS) business as a result of the national energy crisis. These losses were offset by increases in the Art of Mentoring Pty Ltd business and its launch into the US market. Net loss for the period of \$6,486,305 included a one off impairment charge to USS goodwill and intangible assets of \$2,658,029 and an increase in depreciation of \$595,647 as a result of the amortisation of some software development assets for the first time this period.

Please refer to the HY22 results announcement released on the ASX on the same day with this report for further information.

Due to volatile market conditions and the requirements of relevant parties, the Group was unable to complete the Scout transaction previously announced to the ASX in August 2022 under the terms of the share sale agreement.

Events after the reporting date

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

AD1 Holdings Limited

ACN 123 129 162

Directors' Report

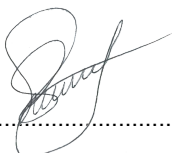
31 December 2022

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2022 has been received and can be found on page 3 of the interim financial report.

The Director's report has been issued following a resolution of the Directors pursuant to section 306(3) of the *Corporations Act 2001*.

For and on behalf of the Board,



Mr Nicholas Smedley
Acting Non-Executive Chairman

Melbourne

Dated this 27th day of February 2023

Auditor's Independence Declaration to the Directors of AD1 Holdings Limited

In relation to our review of the financial report of AD1 Holdings Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

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

This declaration is made in respect of AD1 Holdings Limited and the entities it controlled during the financial period.



PKF
Melbourne, 27 February 2023



Kenneth Weldin
Partner

AD1 Holdings Limited

ACN 123 129 162

Interim Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2022

		31 December 2022	31 December 2021
	Note	\$	\$
Operating revenue	3	3,513,437	3,049,068
Other income		349,596	319,462
Interest income		329	80
Total revenue		3,863,362	3,368,610
Expenses			
Employee benefits expense	4	(3,536,716)	(2,406,611)
Software development and other IT expense		(644,545)	(739,074)
Consulting and professional service expense		(1,371,714)	(1,207,591)
Advertising and marketing expense		(322,307)	(243,156)
Occupancy, utilities and office expense		(68,225)	(82,012)
Depreciation and amortisation expense		(861,593)	(265,946)
Asset impairment	6	(2,658,029)	-
Interest expense		(309,190)	(108,868)
Other expense		(577,348)	(455,339)
Total expenses		(10,349,667)	(5,508,597)
Loss before income tax		(6,486,305)	(2,139,987)
Income tax expense		-	-
Loss for the period		(6,486,305)	(2,139,987)
Other comprehensive income			
Exchange differences on translating foreign controlled entities		10,095	-
Other comprehensive income for the period, net of tax		10,095	-
Total comprehensive loss for the period		(6,476,210)	(2,139,987)
Loss per share			
Basic loss per share (cents)		(0.95)	(0.34)
Diluted loss per share (cents)		(0.95)	(0.34)

The accompanying notes form part of these financial statements.

AD1 Holdings Limited

ACN 123 129 162

Interim Statement of Financial Position

As At 31 December 2022

		31 December 2022	30 June 2022
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		783,980	1,962,966
Trade and other receivables		1,697,444	2,993,101
TOTAL CURRENT ASSETS		2,481,424	4,956,067
NON-CURRENT ASSETS			
Property, plant and equipment		213,081	262,306
Other assets		85,001	85,001
Intangible assets	6	5,960,426	9,108,820
TOTAL NON-CURRENT ASSETS		6,258,508	9,456,127
TOTAL ASSETS		8,739,932	14,412,194
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,805,932	2,155,116
Employee benefit obligations		270,554	275,767
Current tax liabilities		-	175,072
Lease liabilities	8	100,732	84,024
Contract liabilities		961,446	843,058
Other liabilities	7	-	1,500,000
TOTAL CURRENT LIABILITIES		4,138,664	5,033,037
NON-CURRENT LIABILITIES			
Borrowings	9	3,333,333	3,333,333
Lease liabilities	8	115,543	167,157
Employee benefit obligations		69,329	51,477
TOTAL NON-CURRENT LIABILITIES		3,518,205	3,551,967
TOTAL LIABILITIES		7,656,869	8,585,004
NET ASSETS		1,083,063	5,827,190
EQUITY			
Issued capital	10	33,104,804	31,604,804
Option reserve	11	4,153,391	3,901,118
Foreign currency translation reserve		(10,095)	-
Retained earnings		(36,165,037)	(29,678,732)
TOTAL EQUITY		1,083,063	5,827,190

The accompanying notes form part of these financial statements.

AD1 Holdings Limited

ACN 123 129 162

Interim Statement of Changes in Equity For the Half Year Ended 31 December 2022

	Share capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at July 1, 2022	31,604,804	3,901,118	-	(29,678,732)	5,827,190
Loss for the period	-	-	-	(6,486,305)	(6,486,305)
Other comprehensive income for the year, net of tax	-	-	(10,095)	-	(10,095)
Transactions with owners in their capacity as owners					
Issue of shares	1,500,000	-	-	-	1,500,000
Share-based payment expense	-	342,273	-	-	342,273
Options expired/forfeited	-	(90,000)	-	-	(90,000)
Balance at 31 December 2022	33,104,804	4,153,391	(10,095)	(36,165,037)	1,083,063
Balance at July 1, 2021	29,156,778	1,606,434	-	(27,067,825)	3,695,387
Loss for the period	-	-	-	(2,666,229)	(2,666,229)
Other movements	-	-	-	55,322	55,322
Total comprehensive loss for the period	-	-	-	(2,610,907)	(2,610,907)
Transactions with owners in their capacity as owners					
Issue of shares	2,032,000	-	-	-	2,032,000
Options granted	-	1,855,909	-	-	1,855,909
Capital raising costs	(56,680)	-	-	-	(56,680)
Share-based payment expense	-	632,923	-	-	632,923
Business acquisition	472,706	-	-	-	472,706
Options expired/forfeited	-	(194,148)	-	-	(194,148)
Balance at 31 December 2021	31,604,804	3,901,118	-	(29,678,732)	5,827,190

The accompanying notes form part of these financial statements.

AD1 Holdings Limited

ACN 123 129 162

Interim Statement of Cash Flows For the Half Year Ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,963,519	3,791,167
Payments to suppliers and employees	(4,645,847)	(4,842,265)
Government grants and R&D claims	1,778,096	514,000
Income taxes paid	(175,072)	(131,304)
Interest income	328	80
Interest and other costs of finance paid	(564,592)	(106,891)
Net cash (outflow) from operating activities	<u>(643,568)</u>	<u>(775,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(3,161)	(9,145)
Payments for software development	(485,375)	(1,083,303)
Payment of contingent consideration for Art of Mentoring	-	(1,000,000)
Net cash (outflow) from investing activities	<u>(488,536)</u>	<u>(2,092,448)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and other equity securities	-	1,722,000
Capital raising costs	-	(55,120)
Proceeds from borrowings	-	5,500,000
Transactions costs related to loans and borrowings	-	(150,000)
Repayments for lease liabilities	(46,880)	(56,202)
Net cash inflow from financing activities	<u>(46,880)</u>	<u>6,960,678</u>
Net increase/(decrease) in cash and cash equivalents held	(1,178,984)	4,093,017
Cash and cash equivalents at beginning of year	1,962,966	523,477
Cash and cash equivalents at end of the period	<u>783,982</u>	<u>4,616,494</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1 Basis of preparation

The consolidated interim financial statements of AD1 Holdings Ltd ("AD1" or the "Group") for the six (6) months ended 31 December 2022 are presented in Australian Dollars(\$), which is the functional currency of the Group. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2022 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2023.

(a) Going concern

During the period the Group incurred a loss of \$6,486,305 which included a one off impairment charge of \$2,658,029 and had net cash out flows from operating activities of \$643,568. The financial position of the Group at 31 December 2022 shows an excess of current liabilities over current assets of \$1,657,240. These conditions indicate a material uncertainty that may cast doubt about the Group'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.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- Recent contract wins, and existing revenue streams along with strong pipeline of the Group, specifically Art of Mentoring Pty Ltd and its launch into the US market.
- Cost management across the group, in line with reduction in Utility Software Services Pty Ltd revenues.
- The Directors believe that there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance its portfolio.

In the event that the capital raising be unsuccessful and insufficient funds are available to extinguish the debts, there would be a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(b) Basis for preparation

These interim financial statements include the assets and liabilities of AD1 Holdings and its controlled entities as a whole as at the end of the period and the consolidated results and cash flows for the period.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1 Basis of preparation

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 entities 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The interim financial statements of the controlled entities are prepared for the same reporting period as AD1 Holdings, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

2 Segment information

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 interim financial report.

3 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	31 December 2022	31 December 2021
	\$	\$
SaaS and Managed Services	2,705,695	2,583,243
IT Development and Consulting	807,742	465,825
	3,513,437	3,049,068
Services at a point in time	1,761,863	897,180
Services transferred over time	1,751,574	2,151,888
	3,513,437	3,049,068

(b) Information of major customers

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

	31 December 2022	31 December 2021
	\$	\$
Customer A	36%	30%
Customer B	*	20%

*Less than 10%

AD1 Holdings Limited

ACN 123 129 162

Notes to the Financial Statements For the Half Year Ended 31 December 2022

4 Expenses

	31 December 2022	31 December 2021
	\$	\$
<i>Employee benefit expense</i>		
Share-based payment	252,273	374,366
Salaries and wages	2,737,877	1,478,133
Superannuation	273,128	244,149
Other employee related expenses	273,438	309,963
Total	3,536,716	2,406,611

5 Loss per share

(a) Basic & diluted loss per share

	31 December 2022	31 December 2021
	\$	\$
Basic loss per share	(0.95)	(0.34)
Diluted loss per share	(0.95)	(0.34)

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

	31 December 2022	31 December 2021
	\$	\$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted loss per share	(6,486,305)	(2,139,987)

(c) Weighted average number of shares used as denominator

	31 December 2022	31 December 2021
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	680,914,217	628,221,982

As the Group is still loss making, options over ordinary shares outstanding at 31 December 2022 and 31 December 2021 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

6 Intangible Assets

	31 December 2022	30 June 2022
	\$	\$
Goodwill	2,758,052	3,953,191
Software & licences	2,864,862	4,793,721
Customer contracts	337,512	361,908
Total	5,960,426	9,108,820

	Goodwill	Software and licenses	Customer contracts	Total
	\$	\$	\$	\$
As at 30 June 2022				
Cost	3,953,191	5,215,391	548,588	9,717,170
Accumulated amortisation	-	(421,670)	(186,680)	(608,350)
Net book value	3,953,191	4,793,721	361,908	9,108,820
Movements:				
Opening net book value	3,953,191	4,793,721	361,908	9,108,820
Additions	-	485,375	-	485,375
Amortisation	-	(951,344)	(24,396)	(975,740)
Impairment	(1,195,139)	(1,462,890)	-	(2,658,029)
Closing net book value	2,758,052	2,864,862	337,512	5,960,426

Impairment

The national energy crisis has impacted the Utility Software Services Pty Ltd ("USS") business, with the company witnessing a 12% decline in revenues on a YTD basis, as a result of LPE exiting the retail market. Subsequently the group has managed costs in line with this reduction. USS had worked very closely throughout the year on a billing platform for a large multinational under a fee for service arrangement however despite best efforts the contract did not convert. As a result the forecast cash flows on which the carrying value of goodwill and intangibles had been assessed last year end showed indicators of impairment. Accordingly the directors determined to record an impairment charge to value of USS goodwill of \$1,195,139 and the carrying value of USS capitalised software costs of \$1,462,890. Post impairment the carrying value of both goodwill and capitalised software costs relating to USS is nil.

7 Other liabilities

	31 December 2022	30 June 2022
	\$	\$
<i>Other current liabilities</i>		
Contingent consideration -Tranche 3	-	1,500,000
	-	1,500,000

Contingent consideration -Tranche 3 was paid in relation to the acquisition of Art of Mentoring upon meeting specific performance milestones per the sale agreement.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

8 Leases

(a) Lease liabilities

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

	31 December 2022	30 June 2022
	\$	\$
Current	100,732	84,024
Non-current	115,543	167,157
Total	216,275	251,181

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.

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.

The lease liability for the main office is secured by a long-term guarantee deposit. Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments due					Total
	Within 1 year	1-2 years	2-3 years	4-5 years	After 5 years	
	\$	\$	\$	\$	\$	\$
Lease payments	100,732.00	115,543.00	-	-	-	216,275.00
Finance charges	17,008.00	6,321.00	-	-	-	23,329.00
Net present values	117,740.00	121,864.00	-	-	-	239,604.00

(b) Lease payments not recognised as a liability

As at 31 December 2022, 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.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

9 Borrowings

	31 December 2022	30 June 2022
	\$	\$
NON-CURRENT		
Convertible notes	3,333,333	3,333,333
Total non-current borrowings	3,333,333	3,333,333

10 Share capital

(a) Ordinary shares

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
	Shares	\$	Shares	\$
Ordinary shares - full paid	691,993,243	33,104,804	675,814,348	31,604,804
	691,993,243	33,104,804	675,814,348	31,604,804

(b) Movements in ordinary share capital

	No. of shares	\$
31 December 2022		
Opening balance	675,814,348	31,604,804
Issue of new ordinary shares	16,178,895	1,500,000
Capital raising costs	-	-
Closing balance	691,993,243	33,104,804
30 June 2022		
Opening balance	604,456,397	29,156,778
Issue of new ordinary shares	63,500,000	2,032,000
Art of Mentoring Tranche 2 Completion Payment	7,857,951	472,706
Capital raising costs	-	(56,680)
Closing balance	675,814,348	31,604,804

(c) Details of movements in ordinary shares

		No. of shares	Issue price \$	Amount \$
31 December 2022				
03-Nov-22	Issue of shares to Art of Mentoring as part of Tranche 3 Completion Payment	16,178,895	0.09	1,500,000
		16,178,895		1,500,000

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

10 Share capital

(c) Details of movements in ordinary shares

	Details	No. of shares	Issue price \$	Amount \$
30 June 2022				
25-Oct-21	Issue of new ordinary shares under placement	57,875,000	0.032	1,852,000
1-Nov-21	Issue of shares to Art of Mentoring as part of Tranche 2 Completion Payment	7,857,951	0.060	472,706
17-Jan-22	Directors participation in Oct 2021 placement approved at 2021 AGM	5,625,000	0.032	180,000
		<u>71,357,951</u>		<u>2,504,706</u>

11 Reserve

(a) Options reserve

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
	Options	\$	Options	\$
Options over ordinary shares	237,175,004	4,153,391	243,089,492	3,901,118
	<u>237,175,004</u>	<u>4,153,391</u>	<u>243,089,492</u>	<u>3,901,118</u>

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

	No. of options	\$
31 December 2022		
Opening balance	243,089,492	3,901,118
Issue of new options over ordinary shares	-	-
Share based payments expense	-	342,273
Options forfeited/expired	(5,914,488)	(90,000)
Closing balance	<u>237,175,004</u>	<u>4,153,391</u>
30 June 2022		
Opening balance	245,297,811	1,606,434
Issue of new options over ordinary shares	53,216,575	1,855,909
Share based payments expense	-	632,923
Options forfeited/expired	(55,424,894)	(194,148)
Closing balance	<u>243,089,492</u>	<u>3,901,118</u>

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

11 Reserve

(c) Details of movements in options reserve

	Details	No. of options	Amount \$
31 December 2022			
31-Dec-22	Options forfeited	(5,914,488)	(90,000)
31-Dec-22	Share-based payment expense	-	342,273
		<u>(5,914,488)</u>	<u>252,273</u>
30 June 2022			
26-Oct-20	Options granted - ESOP	1,000,000	11,401
7-May-21	Options granted - Supplier	11,000,000	87,841
7-Jul-21	Options forfeited	(20,300,000)	(85,910)
10-Sep-21	Options forfeited	(6,000,000)	(28,557)
4-Oct-21	Options lapsed	(8,555,547)	-
28-Oct-21	Options granted - Capital Raise	14,468,754	-
27-Nov-21	Options underwriting	5,914,488	90,000
21-Dec-21	Options lapsed	(2,777,776)	-
24-Dec-22	Options granted - Debt Facility	20,833,333	1,666,667
22-Apr-22	Options forfeited	(6,000,000)	(49,726)
30-Jun-22	Options forfeited	(5,000,000)	(29,955)
30-Jun-22	Options forfeited	(6,791,571)	-
30-Jun-22	Share-based payment expense	-	632,923
		<u>(2,208,319)</u>	<u>2,294,684</u>

12 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

	31 December 2022 No. of options	31 December 2022 Average exercise price	30 June 2022 No. of options	30 June 2022 Average exercise price
	\$	\$	\$	\$
Opening balance	243,089,492	0.16	245,297,811	0.20
Granted during the period	-		53,216,575	0.06
Exercised during the period	-		-	-
Forfeited/expired during the period	(5,914,488)	0.16	(55,424,894)	0.07
Closing balance	<u>237,175,004</u>	<u>0.16</u>	<u>243,089,492</u>	<u>0.16</u>

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

12 Share based payments

(b) 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:

	31 December 2022	30 June 2022
	\$	\$
Expense from options granted in current period	-	1,855,909
Expense from options granted in prior period	342,273	632,923
Reversal of expense from options forfeited in current period	(90,000)	(194,148)
	252,273	2,294,684

13 Investment in controlled entities

The Group's principal subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are 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/ country of incorporation	Ownership held by the group		Ownership interest held by non-controlling interest	
		2022 %	2021 %	2022 %	2021 %
<i>Ultimate parent entity</i>					
AD1 Holdings Limited	Australia				
<i>Controlled entities</i>					
Utility Software Services Pty Ltd	Australia	100	100	-	-
Art of Mentoring Holdings Pty Ltd	Australia	100	100	-	-
Art of Mentoring Pty Ltd	Australia	100	100	-	-
Art of Mentoring Inc	United States	100	-	-	-

14 Related Party Transactions

The Group has the following transactions with Blue NRG and Capital Heights. Blue NRG's director is Michael Norster, while Capital Heights' director is Nicholas Smedley.

	31 December 2022	31 December 2021
	\$	\$
Revenue from contract with customer	1,091,300	810,112
Payment for electricity supplied	2,642	2,380
Other services	23,059	-
Payment for M&A and corporate advisory services	63,621	56,625
Directors' Loans	-	500,000
Total	1,180,622	1,369,117

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

AD1 Holdings Limited

ACN 123 129 162

Notes to the Financial Statements For the Half Year Ended 31 December 2022

15 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2022 (30 June 2022: None).

16 Events Occurring After the Reporting Date

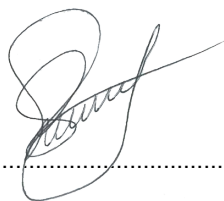
No matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Declaration

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 3 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Nicholas Smedley', is written over a horizontal dotted line.

Mr Nicholas Smedley
Acting Non-Executive Chairman

Dated this 27th day of February 2023

Independent Auditor's Review Report to the Members of AD1 Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AD1 Holdings Limited (the Company) and its subsidiaries (collectively, the Group) which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of AD1 Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibilities for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF
Melbourne, 27 February 2023



Kenneth Weldin
Partner

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Liability limited by a scheme approved under Professional Standards Legislation

PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.