

AP Ventures Limited

ACN 612 559 958

Annual Financial Report for the
year ended 31 December 2020

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Directors' Report

The Directors of AP Ventures Limited (the Company) submit their report for the year ended **31 December 2020**. The financial accounts reflect the activities for the year ended **31 December 2020**.

Principal activity

The Company is an unlisted Australian investment vehicle focused on high growth, scalable investment opportunities. Afterpay Limited (Afterpay) is the largest shareholder in the Company and has entered into a collaboration and partnership agreement with the Company whereby Afterpay may refer investment opportunities to the Company. The Company aims to create long term value for its shareholders through a high conviction portfolio of investments.

The Company's principal activity is the identification and assessment of potential investment opportunities, including but not limited to opportunities that are referred to the Company by Afterpay.

Dividends

No dividends were paid or declared by the Company during the year ended **31 December 2020**.

Business Review

The net loss after tax of the Company for year ended 31 December 2020 was \$3,407,000 (2019 loss: \$1,906,000). The net loss includes a non-cash impact of (\$1,099,000) of unrealised foreign exchange translation differences as at the reporting date. At 31 December 2020, the Company has net assets of \$60,182,000 (2019: \$216,000). This is in line with expectations and the Directors are satisfied with the performance and position of the Company.

Over the course of the year, the Company has refined its strategy and focus to be an investment holding company investing in high growth, scalable companies, particularly those that may benefit from Afterpay's ecosystem.

The Company's current goal is to build a portfolio of four to six material investments with a view to growing these investments over a three to five-year period.

The Company's core investment criteria is set out below:

- High growth, scalable businesses with a proven revenue model;
- Later stage investments that are looking for capital to scale (while not generally our focus, we may from time to time pursue early stage investments where there is a strong strategic rationale);
- Target minimum investment size of \$10,000,000;
- Focus areas are in retail innovation, consumer, finance, and data;
- We prefer ventures that are/can go global;
- Ability to be a material minority investor (10%+) or take a controlling stake (in private or listed vehicles); and
- Ability to invest anywhere in the world.

In addition to the core investment criteria, the Company also focuses on the quality of the team and culture, the shareholding interest of the management / founders, stickiness of the company's revenue and the marginal cost to scale the business.

The Company believes its collaboration agreement with Afterpay and having Afterpay as a material shareholder differentiates the Company from other investors and uniquely positions the Company to access investment opportunities which few others in the Australian market will be able to pursue.

Capital and Investments made

In 2020, the Company raised \$65,000,000 in capital and invested \$24,300,000 into two investments - LayAway Travel Australia Pty Ltd (Layaway) and Happay (Cayman) Ltd (Happay). The Company raised a further \$18,500,000 through a placement with Woodson Capital and completed its third investment into Braavos Corporation Pty Ltd (Basiq) investing \$9,950,000 through a convertible note structure in January 2021. Further details are provided in Note 16.

Significant changes in the state of affairs

During the financial year, the Company wound up its Singapore subsidiary, Change Up Pte Ltd.

Other than the above, there were no significant changes in the state of affairs of the Company during the financial year.

Directors

The names and details of the Company's Directors in office during the financial year and up until the date of this report are as follows:

Michael Jefferies	Non-Executive Director and Chairman
Hugh Robertson	Non-Executive Director
Sophie Karzis	Non-Executive Director
John McBain	Non-Executive Director

All of the Directors have been in office for the entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Jefferies (Non-Executive Director and Chairman)

Mr Jefferies is a chartered accountant with extensive experience in finance and investment including more than 20 years at Guinness Peat Group plc., an international investment group listed on the major stock exchanges in London, Australia and New Zealand. In addition to his role with the Company, Mr Jefferies is a non-executive Director of Ozgrowth Limited. His previous roles include as a Director of Afterpay Limited and Touchcorp Limited. Mr Jefferies holds a Bachelor of Commerce degree and has over 30 years of public company and finance experience.

Hugh Robertson (Non-Executive Director)

Mr Robertson is a senior investment adviser with Bell Potter. He has worked in the stockbroking industry for 36 years with a variety of firms including Investor First and Wilson HTM. In addition to his role with the Company Hugh is also a non-executive Director of Maggie Beer Holdings Limited and Centrepont Alliance Limited.

Sophie Karzis (Non-Executive Director)

Ms Karzis is a practising corporate and commercial lawyer who is experienced in the areas of equity capital markets, mergers and acquisitions, and corporate governance for ASX-listed entities. Sophie acts as company secretary and general counsel for a number of ASX-listed and unlisted entities and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia. Sophie holds a Bachelor of Jurisprudence and a Bachelor of Laws degree.

Associate Professor John McBain AO (Non-Executive Director)

Professor McBain is Honorary Professor of the Melbourne's Royal Women's Hospital. He is a former President of the Fertility Society of Australia, and was a founder of Melbourne IVF, now Virtus Health, and served as Chairman of Melbourne IVF and subsequently as a Director of Virtus Health prior to its listing on the ASX. Professor McBain holds an MB ChB, MRCOG and FRANZCOG.

Company Secretary

Alyn Tai

Ms Tai is a practising lawyer who specialises in the areas of corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities. She holds a Bachelor of Laws from the University of Exeter and was called to the Bar of England and Wales before being admitted to the Supreme Court of Victoria as an Australian lawyer.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Director	No of Scheduled Directors' meetings eligible to attend	No of Scheduled Directors' meetings attended
Michael Jefferies	8	8
Hugh Robertson	8	8
Sophie Karzis	8	8
John McBain	8	8

Matters subsequent to the end of the financial year

In December 2020, the Company agreed to subscribe to a convertible note offering of Basiq for up to \$10,000,000 subject to certain conditions precedent being satisfied. Basiq operates an application programming interface (API) enabled financial data platform which allows financial institutions and fintechs to access, enrich and analyse their customers' financial data. By using Basiq's APIs, Basiq's clients can (with the consent of their end-customers), access financial data from their customers' suite of financial accounts. In addition to providing access to raw data (such as transaction listings), Basiq can enrich customer data to which value-added services can be provided (e.g. credit assessments).

The subscription amounts were divided into two tranches:

- The first completion subscription amount of \$7,000,000 was paid on 12 January 2021 after satisfying certain conditions precedent including due diligence and approval from the Company.
- The second completion subscription amount of \$3,000,000 was dependent on third parties' subscribing to the convertible note. These conditions were met and the Company subscribed for \$2,950,000 of convertible notes on 1 February 2021.

In January 2021, the Company undertook a \$18,500,000 placement (Placement) to entities related to Woodson Capital under which a total of 185,000,000 new shares were issued at a price of \$0.10 per share. The Placement will be used to fund future investments.

The financial statements have been prepared based upon conditions existing at 31 December 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

The Directors are not aware of any other matter or circumstance which has arisen since 31 December 2020 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Regulations

There have been no known breaches of environmental regulations.

Likely Developments and Expected Results

In accordance with section 299(3) of the *Corporations Act 2001*, the Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years as the Directors have reasonable grounds to believe that such information would be likely to result in unreasonable prejudice to the Company.

Proceedings on Behalf of the Company

No person has applied under section 237(1) of the *Corporations Act 2001* for leave of the Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Share Options and Performance Rights

Unissued shares

As at the date of this report, there were 71,600,000 (2019 Directors' Report: 41,600,000) unissued ordinary shares under options and 28,000,000 (2019: nil) unissued ordinary shares under performance rights.

Option holders and performance rights holders do not have any right, by virtue of the option or performance right, to participate in any share issue of the Company or any related body corporate.

Details of the option plan and performance rights are disclosed in Note 11 to the Financial Statements.

Indemnification of Directors and officers

During or since the end of the financial year, the Company has entered into Deeds of Indemnity, Insurance and Access with each Director, the Chief Executive Officer and the secretary of the Company against a liability incurred as an officer. The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' Report for the financial year ended 31 December 2020.

Rounding off of amounts

The Company is of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

This Directors' Report is made out in accordance with a resolution of the Directors:



Michael Jefferies
Non-Executive Director and Chairman
Sydney

24 February 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of AP Ventures Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of AP Ventures Limited for the financial year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the KPMG logo in grey ink.

KPMG

A handwritten signature in grey ink, appearing to read 'Kristen Peterson'.

Kristen Peterson

Partner

Sydney

24 February 2021

Financial statements

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

		2020	2019
		\$000	\$000
	Notes		
Net gains/(losses) on financial assets at fair value through profit or loss	10	(1,099)	-
Total loss		(1,099)	-
Share based payment expense	11(b)	(302)	(49)
Due diligence and acquisition costs		(719)	-
Employee benefits expense	3(a)	(518)	(66)
Professional fees	3(b)	(719)	(247)
Insurance expense		(32)	(10)
Legal expense		(10)	(16)
Other expenses	3(c)	(54)	(1,518)
Operating loss		(3,453)	(1,906)
Interest income		46	-
Loss before tax		(3,407)	(1,906)
Income tax expense	4	-	-
Loss for the year		(3,407)	(1,906)
Total comprehensive loss for the year, net of tax		(3,407)	(1,906)

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Financial statements

Statement of financial position

At 31 December 2020

		2020	2019
		\$000	\$000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	5	27,241	1,780
Trade and other receivables	6	-	23
Prepayments		2	-
Other current assets	7	10,051	144
Total Current Assets		37,294	1,947
Non-current assets			
Property, plant and equipment	8	2	-
Financial assets at fair value through profit or loss	9	23,190	-
Total Non-current Assets		23,192	-
TOTAL ASSETS		60,486	1,947
LIABILITIES			
Current liabilities			
Trade and other payables	12	297	1,731
Employee benefit liabilities		7	-
Total Current Liabilities		304	1,731
TOTAL LIABILITIES		304	1,731
NET ASSETS		60,182	216
EQUITY			
Issued capital	13(a)	82,517	19,446
Accumulated losses		(23,144)	(19,737)
Reserves	13(c)	809	507
TOTAL EQUITY		60,182	216

The above Statement of financial position should be read in conjunction with the accompanying notes.

Financial statements

Statement of changes in equity

For the year ended 31 December 2020

	<i>Issued capital (note 13(b))</i>	<i>Accumulated losses</i>	<i>Employee equity benefits reserve (note 13(c))</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
As at 1 January 2020	19,446	(19,737)	507	216
Loss for the year	-	(3,407)	-	(3,407)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(3,407)	-	(3,407)
Transactions with owners in their capacity as owners				
Issue of share capital	65,000	-	-	65,000
Share-based payments (i)	-	-	302	302
Transaction costs	(1,929)	-	-	(1,929)
At 31 December 2020	82,517	(23,144)	809	60,182
At 1 January 2019	18,281	(17,831)	458	908
Loss for the year	-	(1,906)	-	(1,906)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(1,906)	-	(1,906)
Transactions with owners in their capacity as owners				
Issue of share capital	1,165	-	-	1,165
Share-based payments (i)	-	-	49	49
At 31 December 2019	19,446	(19,737)	507	216

(i) This amount is made up of the share options and performance rights expensed during the year.

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

Financial statements

Statement of cash flows

For the year ended 31 December 2020

		2020	2019
	Notes	\$000	\$000
Cash flows from operating activities			
Receipts from customers and other debtors		-	7
Payments to suppliers (gross of GST)		(3,098)	(156)
Payments to employees		(359)	(67)
Interest received		26	-
Net cash flows used in operating activities	5	(3,431)	(216)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2)	-
Loan to LayAway Travel Australia Pty Ltd		-	(144)
Purchase of financial assets at fair value through profit or loss		(24,146)	-
Payment of security deposit		(6)	-
Investment in term deposits		(10,025)	-
Net cash flows used in investing activities		(34,179)	(144)
Cash flows from financing activities			
Proceeds from issue of shares		65,000	1,165
Transaction costs on issue of shares	13	(1,929)	-
Net cash flows from financing activities		63,071	1,165
Net increase in cash and cash equivalents		25,461	805
Cash and cash equivalents at beginning of year		1,780	975
Cash and cash equivalents at end of year	5	27,241	1,780

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

Notes to the Financial Statements

For the year ended 31 December 2020

Notes to the Financial Statements

Note 1: Corporate Information

The Financial Report of AP Ventures Limited (the Company) for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 24 February 2021.

The financial accounts reflect the activities for the financial year ended 31 December 2020.

AP Ventures Limited is a public company limited by shares incorporated in Australia whose shares are not publicly traded on the Australian Securities Exchange. The Company's registered office is at Level 36, 1 Macquarie Place, Sydney NSW 2000.

The Company is an Australian investment vehicle focused on high growth, scalable investment opportunities. Afterpay Limited (Afterpay) is the largest shareholder in the Company and has entered into a collaboration and partnership agreement with the Company whereby Afterpay may refer investment opportunities to the Company. The Company aims to create long term value for its shareholders through a high conviction portfolio of investments.

The Company's principal activity is the identification and assessment of potential investment opportunities, including but not limited to opportunities that are referred to the Company by Afterpay.

Note 2: Summary of significant accounting policies

(a) Basis of preparation

The Annual Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

All amounts are presented in Australian dollars, unless otherwise noted. The Company is of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, and in accordance with that instrument, amounts in the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(b) Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

(c) New accounting standards and interpretations

Management considered all new accounting standards, interpretations and amendments.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(c) New accounting standards and interpretations (*continued*)

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the preparation of the Company's financial statements. The Company intends to adopt these standards, as applicable, when they become effective.

New, revised or amended Accounting Standards and Interpretations

A number of new standards are effective from 1 January 2020. These standards do not have a material impact to the Company's financial statements.

(d) Significant accounting judgements, estimates and assumptions

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses an appropriate valuation model to determine the fair value. The model and assumptions used to estimate the fair value for share-based payment transactions are disclosed in Note 11.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the tax effect accounting determinations made to date.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Judgements

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

Status as an investment entity

The Company is an investment entity under AASB 10 *Consolidated Financial Statements*, which means that it measures its investments on a fair value basis through profit or loss, in accordance with AASB 9 *Financial Instruments*. In determining whether the Company meets the definition of an investment entity, management has taken into consideration the typical characteristics set forth by this accounting standard as well as other essential elements, including the Company's purpose, commitments to its investors, and how it measures and evaluates the performance of its investments. Refer to Note 9 for further discussion.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(d) Significant accounting judgements, estimates and assumptions (*continued*)

In the previous financial reporting year, the Company consolidated its wholly owned subsidiary, Change Up Pte Ltd (**Change Up**) and prepared consolidated financial statements for the year then ended 31 December 2019. Change Up was wound up during the year and the Company has prospectively prepared standalone financial statements for the current financial year and presented comparatives on the same basis, with certain reclassifications made to enhance presentation.

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company has applied the exemption criteria under AASB 16 *Leases* and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Company does not have any leases except for short-term leases at 31 December 2020 and accordingly has not recognised any right-of-use asset and lease liability in accordance with AASB 16 *Leases*.

(g) Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Financial assets

Recognition and initial measurement

The Company initially recognises its investments in unlisted private equities as financial assets at fair value through profit or loss ("FVTPL") on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument. Other financial assets are recognised on the date on which they originated.

A financial asset is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(h) Financial assets (*continued*)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

All other financial assets of the Company are measured at FVTPL.

Classification and subsequent measurement

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in profit or loss in 'net income from financial instruments at FVTPL' in the Statement of profit or loss and other comprehensive income. Investments in unlisted private equities are included in this category.

ii. Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(i) Financial liabilities

Recognition and initial measurement

Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(i) Financial liabilities (*continued*)

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(j) Foreign currency translation

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange gains/losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gains or losses on financial assets at fair value through profit or loss.

Both the functional and presentation currency of the Company is in Australian dollars (A\$).

(k) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(k) Income tax (*continued*)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit or loss as incurred.

Depreciation is calculated on the straight-line basis over the estimated useful life of the specific assets as follows:

- Computer equipment - 3 to 5 years
- Office equipment - 3 to 5 years

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Company determines fair value using other valuation techniques.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Note 2(d), 9 and 11

(o) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(o) Impairment of assets (*continued*)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost. Due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(r) Short-term and other long-term employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Equity-settled transactions

The Company provides benefits to employees (including key management personnel) and Directors of the Company, in the form of share-based payments, whereby employees and Directors render services in exchange for shares or rights over shares (equity-settled transactions).

The Long-Term Incentive Plan (LTIP) provides benefits to Directors, senior executives and other staff as agreed by the Board of Directors.

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using a Black Scholes model.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 2: Summary of significant accounting policies (*continued*)

(r) Short-term and other long-term employee benefits (*continued*)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised in the statement of comprehensive income for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(s) 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.

Note 3: Expenses

(a) Employee benefits expense

	2020	2019
	\$000	\$000
Annual leave expenses	7	-
Payroll tax expense	11	-
Salaries and wages	482	66
Superannuation	18	-
Total	518	66

(b) Professional fees

	2020	2019
	\$000	\$000
Audit fees	90	60
Consulting fees	463	169
Company secretarial fees	74	18
Tax fees	28	-
Accounting fees	64	-
Total	719	247

Notes to the Financial Statements

For the year ended 31 December 2020

Note 3: Expenses (continued)

(c) Other expenses

	2020	2019
	\$000	\$000
Cost reimbursement*	-	1,500
Expenses relating to short-term leases	9	-
Other expenses	45	18
Total	54	1,518

* Cost associated with the evaluation of, and due diligence investigations on, LayAway by Afterpay

Note 4: Income Tax

	2020	2019
	\$000	\$000
(a) Income tax expense		
The major components of income tax expense are:		
<i>Current income tax charge</i>		
Current income tax charge	(675)	(57)
<i>Deferred income tax</i>		
Non recognition of deferred tax asset in relation to tax losses and temporary differences	675	57
Income tax expense/(benefit) as reported in the Statement of profit or loss and other comprehensive income	-	-

(b) Numerical reconciliation between aggregate tax benefit recognised in the Statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

	2020	2019
	\$000	\$000
Accounting loss before tax	(3,407)	(1,906)
At the Company's statutory rate of 30%	(1,022)	(572)
Expenditure not allowed for income tax purposes	347	515
Tax loss and temporary differences not brought to account	675	57
Income tax expense/(benefit)	-	-

At 31 December 2020, there are unrecognised deferred tax assets of \$5,208,000 (2019: \$4,533,000). These arose from temporary differences of \$17,359,000 (2019: \$15,109,000) related to deductible temporary differences of \$1,293,000 (2019: \$290,000) and unused tax losses of \$16,066,000 (2019: \$14,819,000). These tax losses do not expire under current tax rules.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 5: Cash and cash equivalents

	2020	2019
	\$000	\$000
Cash at bank and on hand	27,241	1,780
	<u>27,241</u>	<u>1,780</u>

Short-term deposits earn interest at floating rates based on daily bank deposit rates.

Reconciliation from the net loss after tax to the net cash flows from operations

	2020	2019
	\$000	\$000
Net loss	(3,407)	(1,906)
Adjustments for:		
Write-off of related party receivables	10	-
Interest received	(20)	-
Share based payments expense	302	49
Foreign exchange difference	1,099	-
Changes in assets and liabilities:		
Increase in trade and other receivables	-	(22)
Decrease in other current assets	11	18
(Decrease)/increase in trade and other payables	(1,433)	1,645
Increase in employee benefit liabilities	7	-
Net cash used in operating activities	<u>(3,431)</u>	<u>(216)</u>

Note 6: Trade and other receivables

	2020	2019
	\$000	\$000
Trade and other receivables		
GST receivable	-	13
Receivables due from related parties	-	10
	<u>-</u>	<u>23</u>

The net of GST payable and GST receivable is remitted to the appropriate tax body as required.

Note 7: Other current assets

	2020	2019
	\$000	\$000
Term deposit	10,045	-
Security deposit	6	-
Receivables due from related parties	-	144
Total	<u>10,051</u>	<u>144</u>

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

Notes to the Financial Statements

For the year ended 31 December 2020

Note 8: Property, Plant and Equipment

	Furniture, fittings and equipment \$000
1 January 2020	-
Additions at cost	2
Depreciation charge for the year	-
At 31 December 2020 (net of accumulated depreciation)	2

Note 9: Financial assets at fair value through profit or loss (FVTPL)

(a) Financial assets

	2020 \$000	2019 \$000
Investments in financial assets at fair value through profit or loss		
Investment in Layaway Travel Australia Pty Ltd	10,206	-
Investment in Happay (Cayman) Ltd	12,984	-
Total financial assets at fair value through profit or loss	23,190	-

LayAway Travel Australia Pty Ltd (LayAway)

The Company completed the acquisition of 77.9% of the issued shares of LayAway in February 2020. Layaway's principal place of business is Australia. The acquisition was completed by way of:

- the issue of 289,017 shares by LayAway to the Company for an aggregate amount of \$6,000,000; and
- a purchase of existing shares in LayAway by the Company from existing shareholders of LayAway for an aggregate amount of \$4,206,000.

The assumptions used in the valuation is listed below.

Happay (Cayman) Ltd (Happay)

The Company completed the acquisition of 20% of the issued shares of Happay in September 2020. Happay's principal place of business is China. The acquisition was completed by way of the issue of 250,000 fully paid ordinary shares with a par value of US\$0.0001 per ordinary share by Happay to the Company for an aggregate subscription price of US\$10,000,000.

The assumptions used in the valuation are listed below.

(b) Fair values

Valuation Techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 9: Financial assets at fair value through profit of loss (FVTPL) (*continued*)

(b) Fair values (*continued*)

The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities including ongoing discussions with potential purchasers.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The Australian Private Equity and Venture Capital Association (AVCAL) has prepared the International Private Equity and Venture Capital Guidelines (Valuation Guidelines). The Valuation Guidelines set out recommendations on the valuation of private equity investments which are intended to represent current best practice. The Company has referred to the Valuation Guidelines in order to determine the “fair value” of the Company’s financial assets measured at FVTPL.

In addition to the AVCAL Valuation Guidelines, the Board has given consideration to detailed analysis and up to date information that may impact the fair value of the portfolio due to the impacts of COVID-19. In doing so, the Board also considered special COVID-19 valuation guidance issued by the International Private Equity and Venture Capital Valuation Guidelines Board (IPEV).

In referring to the Valuation Guidelines and guidance issued by the IPEV, consideration is given to ensure that the determination of fair value remains consistent in all material respects with Australian Accounting Standards and International Financial Reporting Standards.

The “fair value” of financial assets is assumed to be the price that would be received for the financial asset in an orderly transaction between knowledgeable and willing but not anxious market participants acting at arm’s length given current market conditions at the relevant measurement date. Fair value for unquoted or illiquid investments is often estimated with reference to the potential realisation price for the investment or underlying business if it were to be realised or sold in an orderly transaction at the measurement date, regardless of whether an exit in the near future is anticipated and without reference to amounts received or paid in a distressed sale.

AVCAL suggests that one or more techniques should be adopted to calculate a private equity investment based on the valuer’s opinion of which method or methods are considered most appropriate given the nature, facts and circumstances of the particular investment. In considering the appropriateness of each technique, AVCAL suggests the economic substance of the investment should take priority over the strict legal form.

AVCAL provides guidance on a range of valuation methodologies that are commonly used to determine the value of private equity investments in the absence of an active market, including:

- price of recent investments;
- earnings multiples;
- revenue multiples;
- net asset values;
- discounted cash flows of the underlying assets;
- discounted cash flows of the investment; and
- industry valuation benchmarks.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 9: Financial assets at fair value through profit of loss (FVTPL) (continued)

(b) Fair values (continued)

Layaway

The Company invested in Layaway in February 2020. While the investment was undertaken within 10 months of the reporting date, given the significant disruption of the COVID-19 pandemic to the travel market, the Company has determined the fair value of Layaway by reference to a discounted cash flow (DCF) valuation of the Layaway operating business as at 31 December 2020.

The DCF valuation includes inputs to the valuation that are considered Level 3 of the fair value hierarchy as the DCF valuation requires assumptions to be made to determine certain inputs that are not based on observable market data.

At reporting date, the key unobservable inputs used by the Company within its DCF valuation in determining the fair value of the Layaway business, together with a quantitative sensitivity analysis as at 31 December 2020 is summarised below:

Unobservable inputs	Description	Sensitivity of the input to the fair value calculation	
Cashflow forecasts	Financial forecasts for a five-year period were prepared by the management team of Layaway as part of the annual budgeting process for the business. This included an analysis of revenue growth rates and estimates of expenses, ultimately leading to a forecast of cashflows for the business over the forecast period.	A 5% increase in free cash flows increases the calculated fair value by \$922,000 and vice versa.	
Long-term growth rate	A long-term growth rate of 3% was used to extrapolate the cash flows of the business beyond the five-year forecast period.	A 1% increase in this input increases the calculated fair value by \$262,000.	A 1% decrease in this input decreases the calculated fair value by \$246,000.
Cost of equity / Discount rate	A cost of equity of 36% is used to convert the forecast cash flow into present value terms. The cost of equity incorporates the early-stage of the business and expected returns for the Company as well as an additional risk weighting for the impact that the COVID-19 pandemic is likely to have on the domestic and overseas travel industry over the short term.	A 1% increase in this input decreases the calculated fair value by \$522,000.	A 1% decrease in this input increases the calculated fair value by \$560,000.

Happay

The Company invested in Happay in October 2020, 2 months prior to the reporting date. At the time of the investment, the Company reviewed the entry valuation on the basis of revenue and transaction value multiples for comparable companies and on the basis of recent investments into comparable companies within the same industry. The Company formed the view that the valuation was fair based on its analysis.

There being no significant changes to the business between the date of the Company's investment and the reporting date. The Company has valued its investment of Happay based on the price of its recent investment into Happay with changes in fair value arising only over unrealised foreign exchange translation differences as at reporting date.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 10: Financial instruments – fair values and risk management

Measurement Basis

The Company's principal financial instruments comprise of cash and cash equivalents, financial assets designated at fair value through profit or loss, and payables.

The Company manages its exposure to key financial risks, including interest rate, credit, liquidity and currency risk in accordance with the Company's financial risk management policy. The objective of which is to support the delivery of the Company's financial targets, whilst protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed.

The total for each category of financial instrument, measured in accordance with AASB 9: *Financial instruments* on a recurring basis as detailed in the accounting policies to these financial statements including their fair value hierarchies are as follows:

			Measurement Basis	Carrying amount		Fair value	
				2020	2019	Level	
				\$000	\$000		\$000
Notes							
Financial assets							
Cash and cash equivalents	5	Amortised cost		27,241	1,780	2	27,241
Security deposit	7	Amortised cost		6	-	2	6
Financial assets at fair value through profit or loss (FVTPL)	9	Fair value		23,190	-	3	23,190
Trade and other receivables	6	Amortised cost		-	23	2	-
Term deposit	7	Amortised cost		10,045	-	2	10,045
Receivables due from related party	7	Amortised cost		-	144	2	-
Non financial assets							
Prepayments		Amortised cost		2	-	2	2
Property, Plant and Equipment	8	Amortised cost		2	-	2	2
Financial liabilities							
Accruals	12	Amortised cost		297	1,731	2	297
Non financial liabilities							
Employee benefit liabilities		Amortised cost		7	-	2	7

There were no transfers of financial instruments between the fair value hierarchies in the current and previous reporting period.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 10: Financial instruments – fair values and risk management (*continued*)

Reconciliation of Level 3 recurring fair values

	Note	Financial assets at FVTPL	\$000
Balance at 1 January 2020			-
Purchases			24,289
Loss recognised in profit or loss ¹			(1,099)
Balance at 31 December 2020	9		<u>23,190</u>

Level 3 financial assets consist of equity securities in unlisted entities.

¹ The net loss for the year recognised in profit or loss is unrealised and due to movements in foreign exchange rates.

Risk Exposures and Responses

Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the statement of financial position as financial assets at fair value through profit or loss.

The Company seeks to manage and constrain market risk by diversification of its investment portfolio. Refer to Note 9(b) for disclosures relating to unobservable input sensitivities in respect of the Company's equity securities.

Credit risk

Credit risk arises from the financial assets of the Company. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

To minimise the credit risk exposure the Company attempts to trade with recognised, creditworthy parties. Receivable balances are monitored on an ongoing basis with the result that the exposure to future expected credit losses is not significant. Ageing analysis and monitoring of specific credit allowances are also undertaken to manage credit risk. Cash and cash equivalents are held with a credit worthy reputable bank counterparties based in Australia.

Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's cash and cash equivalents and term deposits. At balance date, the Company had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2020	2019
	\$000	\$000
Financial Assets		
Cash at bank and on hand	27,241	1,780
Term deposit	10,045	-
Net exposure	<u>37,286</u>	<u>1,780</u>

Notes to the Financial Statements

For the year ended 31 December 2020

Note 10: Financial instruments – fair values and risk management (*continued*)

Interest rate risk (*continued*)

The Company's policy to manage its interest rate exposure by placing funds into at-call or term deposits. The Company also monitors levels of exposure to interest rate risk and market forecasts for interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	(Higher)/Lower as net loss		Equity Higher/(Lower)	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
- 1.00% (100 basis points)	(261)	(12)	(261)	(12)
+0.25% (25 basis points)	65	3	65	3

Significant assumptions used in the interest rate sensitivity analysis include:

- Management believes that interest rates will likely be similar or lower during the 12-month period subsequent to balance date.
- The net exposure at balance date is representative of what the Company was and is expecting to be exposed to in the next twelve months from balance date.

Foreign currency risk

The Company's Statement of financial position can be affected by movements in the United States (US) dollar as a result of its investments. The Company has transactional currency exposures arising from expenses in with international vendors. The Company monitors levels of exposure to foreign exchange risk.

A 5% weakening of the US dollar against the Australian dollar would result in an increase in net assets of \$650,000 arising from the Company's investment in Happay as it is denominated in US dollars (assuming all other variables remain constant). A strengthening of the US dollar against the Australian dollar would result in an equal but opposite effect.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. Liquidity risk is monitored through cash flow forecasts.

The table below reflects all contractually fixed payoffs, repayments and interest resulting from recognised financial liabilities. The remaining contractual maturities of the Company's financial liabilities are:

	Note	Carrying amount \$'000	Total contractual cash flows \$'000	1 year or less \$'000
31 December 2020				
Accruals	12	297	297	297
31 December 2019				
Accruals	12	1,731	1,731	1,731

Note 11: Share-based payments

(a) Shared-based payment plans

The Company has a Long Term Incentive Plan (**LTIP**) that include options and performance rights, with a view to aligning the interests of employees with the objectives of the Company and to provide incentives to Directors, senior executives and staff. The Company's LTIP applies to both past and present employees and Directors and is subject to vesting conditions for option holders other than where disclosed otherwise in note 11(b). The share-based payment plan is described further below.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 11: Share-based payments (*continued*)

(b) Share-based payment expenses

The expense recognised for employee and professional services received during the year is shown in the table below:

	2020 \$000	2019 \$000
Expenses arising from equity-settled share-based payment transactions	302	49

Modifications

On 22 January 2020, the LTI award granted to the Company's CEO Hein Vogel in October 2019 was modified. All of these options expire on 31 December 2024 and each tranche requires Mr Vogel to be continually employed by the Company at the Vesting Date in order to be able to be exercised.

Included in this modification, was the following:

- cancellation of 2,500,000 options issued under the long term incentive component of the remuneration package for Hein Vogel, which were issued in October 2019;
- the decrease in the share exercise price of 10,000,000 options from \$0.10 to \$0.05, resulting in a total incremental fair value granted of \$19,000. These options were issued under the long term incentive component of the remuneration package for Hein Vogel, which were issued in October 2019.

The below table sets out the revised award grant.

Tranche	No of opts	Exercise price	Vesting Date
1	10,000,000	\$0.02	31 March 2020
2	10,000,000	\$0.05	30 June 2021
3	10,000,000	\$0.15	31 December 2022
4	10,000,000	\$0.20	31 December 2023

(c) Summary of options granted under the LTIP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2020 No.	2020 WAEP	2019 No.	2019 WAEP
Outstanding at the beginning of the year	21,600,000	\$0.10	1,600,000	\$0.50
Granted during the year	52,500,000	\$0.12	20,000,000	\$0.07
Exercised during the year	-	-	-	-
Cancelled during the year	(2,500,000)	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	71,600,000	-	21,600,000	-
Exercisable at the end of the year	31,600,000	\$0.09	1,600,000	\$0.50

The outstanding balance as at **31 December 2020** is represented by:

- 1,500,000 options over ordinary shares with an exercise price of \$0.50 each, exercisable until 18 October 2021. No vesting conditions are attached to these options.
- 100,000 options over ordinary shares with an exercise price of \$0.50 each, exercisable until 16 October 2022. No vesting conditions are attached to these options.
- 10,000,000 options over ordinary shares with an exercise price of \$0.02 each, exercisable until 31 December 2024. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 11: Share-based payments (*continued*)

(c) Summary of options granted under the LTIP (*continued*)

- 10,000,000 options over ordinary shares with an exercise price of \$0.05 each, exercisable from 30 June 2021 until 31 December 2024. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.
- 10,000,000 options over ordinary shares with an exercise price of \$0.15 each, exercisable from 31 December 2022 until 31 December 2024. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.
- 10,000,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable from 31 December 2023 until 31 December 2024. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.
- 20,000,000 options over ordinary shares with an exercise price of \$0.10 each, exercisable until 17 September 2025. No vesting conditions are attached to these options.
- 3,333,332 options over ordinary shares exercisable from 1 November 2021 until 4 November 2025. 2,666,666 options with an exercise price of \$0.05 each and 666,666 options with an exercise price of \$0.10 each. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.
- 3,333,332 options over ordinary shares exercisable from 1 November 2022 until 4 November 2025. 2,666,666 options with an exercise price of \$0.05 each and 666,666 options with an exercise price of \$0.10 each. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.
- 3,333,336 options over ordinary shares exercisable from 1 November 2023 until 4 November 2025. 2,666,668 options with an exercise price of \$0.05 each and 666,668 options with an exercise price of \$0.10 each. Each tranche requires the employee to be continually employed by the Company at the vesting date in order to be able to be exercised.

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 4.3 years (2019: 4.8 years).

Exercise price

The exercise price for options outstanding at the end of the year ranges from \$0.02 to \$0.50 per share (2019: \$0.02 to \$0.50 per share).

Option pricing model: LTIP

The fair value of the equity-settled share options granted under the LTIP is estimated as at the grant date using the Black Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the year ended 31 December 2020:

	2020	2019
Dividend yield (%)	-	-
Expected volatility (%)	40%-75%	70%-75%
Risk-free interest rate (%)	0.25%-0.75%	1%-5.75%
Expected life of option (years)	5 years	5 years
Contractual life (years)	5 years	5 years
Option exercise price (\$)	\$0.02-\$0.50	\$0.02-\$0.50
The estimated fair value of each option at grant date is	\$0.002 to \$0.31	\$0.003 to \$0.31
Weighted average share price at measurement date \$	\$0.03	\$0.10

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements

For the year ended 31 December 2020

Note 11: Share-based payments (continued)

(d) Summary of performance rights granted under the LTIP

The LTIP provides for the grant by the Company at no cost to senior employees of the Company certain rights to acquire ordinary shares in the Company (**Rights**). Subject to satisfying certain performance and vesting criteria, these Rights provide participating employees with the ability to acquire a specified number of fully paid ordinary shares in the Company (**Shares**).

On 18 December 2020 the following of performance rights were granted under the Long Term Incentive Plan:

- 28,000,000 Rights over ordinary shares with a fair value of \$0.05 each

Each Right is entitled to acquire one Share, subject to adjustment in accordance with the LTIP Rules.

The earliest possible exercise date for the rights issued on 18 December 2020 is 31 December 2023 with an expiry date of 31 December 2025 (**Expiry Date**), and is subject to the vesting conditions. The exercise price of each Right is set at \$nil.

The Rights will lapse if they are not exercised before the applicable Expiry Date. The Rights may lapse before the applicable Expiry Date in the event that employment at the Company is ceased by the employee.

Note 12: Trade and other payables

	2020	2019
	\$000	\$000
Accruals	297	1,731

As at 31 December 2019, an amount of \$1,500,000 was due to be reimbursed to Afterpay for costs incurred in conducting due diligence on the LayAway opportunity. This amount was reimbursed to Afterpay as an offset to the consideration received by the Company from the \$15,000,000 Placement during the current year.

(a) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk are set out in Note 10.

Note 13: Contributed equity and reserves

(a) Ordinary shares of no par value

	2020	2019
	\$000	\$000
Issued and fully paid	82,517	19,446

(b) Movement in ordinary shares on issue

	Number*	\$000
At 1 January 2019	138,983,333	18,281
Share issue	77,667,800	1,165
Share issue expenses	-	-
At 31 December 2019	216,651,133	19,446
	Number	\$000
At 1 January 2020	216,651,133	19,446
Share issue	1,451,828,182	65,000
Share issue expenses	-	(1,929)
At 31 December 2020	1,668,479,315	82,517

Notes to the Financial Statements

For the year ended 31 December 2020

Note 13: Contributed equity and reserves (continued)

In March 2020, the Company issued 300,000,000 ordinary shares at a price of \$0.05 per share. Additionally, in September 2020, the Company issued 1,000,000,000 ordinary shares at a price of \$0.05 per share.

**In July 2019, the Company entered into a Collaboration and Partnership Agreement with Afterpay under which it was agreed that Afterpay may refer opportunities to the Company, in order for the Company to evaluate their feasibility and if determined as viable, pursue them and in exchange, the Company would, subject to shareholder approval, issue new shares to Afterpay to increase its shareholding in the Company from 4.6% to 43.92%. On 3 December 2019, the Company held a General Meeting, at which shareholders approved the issue of 151,828,182 new shares to Afterpay to increase its shareholding in the Company from 4.6% to approximately 43.92%. These shares were allotted during January 2020.*

(c) Employee equity benefit reserve

	\$000
At 1 January 2019	458
Share based payment expense	49
At 31 December 2019	507
Share based payment expense	302
At 31 December 2020	809

The employee equity benefits reserve is used to record the fair value of equity options and performance rights granted to employees, senior executives and Directors as part of their remuneration.

(d) Capital management

When managing capital, management's objective is to ensure the Company continues as a going concern, as well as to provide optimal returns to shareholders and benefits for other stakeholders. The Company constantly reviews the capital structure and the level of return on assets.

Note 14: Commitments and contingencies

The Company has no contingencies as at the end of the year (2019: nil).

Operating lease commitments

During the financial year, the Company entered into a commercial lease for period of 12 months or less to commence in 2021. Payments made under these leases are recognised in the Statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease.

Future minimum lease payments under these non-cancellable operating leases as at 31 December are, as follows:

	2020	2019
	\$000	\$000
Within one year	64	-
After one year but not more than two years	4	-
	68	-

Notes to the Financial Statements

For the year ended 31 December 2020

Note 15: Related parties

(a) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid are included in Note 18.

(b) Other related parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant period.

<i>Related party</i>		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		\$	\$	\$	\$
Director related entities					
Corporate Counsel Pty Ltd	2020	-	-	-	-
	2019	-	17,900	-	-
Sophie Karzis Corporate Counsel	2020	-	86,460	-	-
	2019	-	12,016	-	-
Shareholders					
Touchcorp Limited (a wholly owned subsidiary of Afterpay Limited)	2020	-	150,000	-	-
	2019	-	1,500,000	-	-
Companies					
Layaway Travel Australia Pty Ltd	2020	-	-	-	-
	2019	-	-	144,000	-
Change Up Pte Ltd	2020	-	-	-	-
	2019	-	-	10,000	-

Sophie Karzis Corporate Counsel supplies secretarial and other general legal services to the Company. Invoices are settled on terms in line with other creditors.

Corporate Counsel Pty Ltd supplies secretarial and other general legal services to the Company. Invoices are settled on terms in line with other creditors. Sophie Karzis was a Director of Corporate Counsel.

In July 2019, the Company entered into a Collaboration and Partnership Agreement with Afterpay under which it was agreed that Afterpay may refer opportunities to the Company, in order for the Company to evaluate their feasibility and if determined as viable, pursue them and in exchange, the Company would, subject to shareholder approval, issue new shares to Afterpay or one of its controlled entities (the Afterpay Group) to increase the Afterpay Group's shareholding in the Company from 4.6% to 43.92%. On 3 December 2019, the Company held a General Meeting, at which shareholders approved the issue of 151,828,182 new shares to the Afterpay Group. These shares were allotted after balance date in January 2020.

The opportunity to invest in LayAway was referred to the Company by Afterpay pursuant to the Collaboration and Partnership Agreement. At the time the opportunity was referred to the Company, Afterpay had invested time and costs to enter into a trial with, and to conduct due diligence on, LayAway; the Company agreed to reimburse to Afterpay the amount of \$1,500,000 (excluding GST) in recognition of costs incurred as part of the transaction under which the Company acquired 77.9% of the issued share capital of LayAway.

Note 16: Events after the reporting period

In December 2020, the Company agreed to subscribe to Convertible Note offering of Basiq for up to \$10,000,000 subject to certain conditions precedent being satisfied. Basiq operates an application programming interface (API) enabled financial data platform which allows financial institutions and fintechs to access, enrich and analyse their customers' financial data. By using Basiq's APIs, Basiq's clients can (with the consent of their end-customers), access financial data from their customers' suite of financial accounts. In addition to providing access to raw data (such as transaction listings), Basiq can enrich customer data to which value-added services can be provided (e.g. credit assessments).

Notes to the Financial Statements

For the year ended 31 December 2020

Note 16: Events after the reporting period (continued)

The subscription amounts were divided into two tranches:

- The first completion subscription amount of \$7,000,000 was paid on 12 January 2021 after satisfying certain conditions precedent including due diligence and approval from APV's Board.
- The second completion subscription amount of \$3,000,000 was dependent on third parties' subscribing to the convertible note. These conditions were met and the Company subscribed for \$2,950,000 of convertible notes on 1 February 2021.

In January 2021, the Company undertook a \$18,500,000 placement to entities related to Woodson Capital under which a total of 185,000,000 new shares were issued at a price of \$0.10 per share. The placement will be used to fund future acquisitions.

Note 17: Auditor's Remuneration

	2020	2019
	\$	\$
Audit services:		
Auditors of the Company - KPMG		
• Audit of the financial statements of the Company	75,000	-
Predecessor auditor		
• Audit of the financial statements of the Company	-	55,000
Other services:		
Auditors of the Company - KPMG		
• Accounting advice	8,539	-
Predecessor auditors		
• Tax compliance and planning and other consulting services	12,000	15,000

Note 18: Key management personnel

(a) Compensation of Key Management Personnel of the Company

	2020	2019
	\$000	\$000
Short-term employee benefits	619	66
Share-based payment transactions	288	34
Total compensation paid to key management personnel	907	100

Share-based payment transactions disclosed in the table above are expenses recognised during the reporting period over share options and performance rights granted to key management personnel.

Notes to the Financial Statements
For the year ended 31 December 2020

Note 18: Key management personnel (continued)

(b) Option holdings of key management personnel

Number of share options	Balance at beg of year 1-Jan-2020	Granted as remuneration	Options exercised	Net change other	Balance at end of year 31-Dec-2020	Exercisable	Not Exercisable
Directors							
Michael Jefferies	-	5,000,000	-	-	5,000,000	5,000,000	-
Sophie Karzis	250,000	5,000,000	-	-	5,250,000	5,250,000	-
Assoc Prof John McBain	-	5,000,000	-	-	5,000,000	5,000,000	-
Hugh Robertson	-	5,000,000	-	-	5,000,000	5,000,000	-
Executives							
Hein Vogel	20,000,000	20,000,000	-	-	40,000,000	10,000,000	30,000,000
Total	20,250,000	40,000,000	-	-	60,250,000	30,250,000	30,000,000

Number of share options	Balance at beg of year 1-Jan-2019	Granted as remuneration	Options exercised	Net change other	Balance at end of year 31-Dec-2019	Exercisable	Not Exercisable
Directors							
Sophie Karzis	250,000	-	-	-	250,000	250,000	-
Executives							
Hein Vogel	-	20,000,000	-	-	20,000,000	-	20,000,000
Total	250,000	20,000,000	-	-	20,250,000	250,000	20,000,000

Notes to the Financial Statements

For the year ended 31 December 2020

Note 18: Key management personnel (*continued*)

(c) Shareholdings of key management personnel

Shares held in AP Ventures Limited

	Balance 1-Jan-2020	On acceptance of shortfall shares under rights issue	Granted as remuneration	Shares purchased	Balance 31-Dec-2020
Michael Jefferies	8,933,400	-	-	29,814,158	38,747,558
Sophie Karzis	1,000,000	-	-	1,845,129	2,845,129
Assoc Prof John McBain	9,213,400	-	-	31,163,672	40,377,072
Hugh Robertson	10,533,400	-	-	31,444,747	41,978,147
Hein Vogel	-	-	-	5,000,000	5,000,000
Total	<u>29,680,200</u>	<u>-</u>	<u>-</u>	<u>99,267,706</u>	<u>128,947,906</u>

Shares held in AP Ventures Limited

	Balance 1-Jan-2019	On acceptance of shortfall shares under rights issue	Granted as remuneration	Net change other	Balance 31-Dec-2019
Michael Jefferies	5,600,000	3,333,400	-	-	8,933,400
Sophie Karzis	1,000,000	-	-	-	1,000,000
Assoc Prof John McBain	5,880,000	3,333,400	-	-	9,213,400
Hugh Robertson	7,200,000	3,333,400	-	-	10,533,400
Total	<u>19,680,000</u>	<u>10,000,200</u>	<u>-</u>	<u>-</u>	<u>29,680,200</u>

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(d) Other transactions with key management personnel and their related parties

Performance rights of 28,000,000 rights has been granted to Hein Vogel during the year as disclosed in note 11(d). There are no other transactions with key management personnel and their related parties. Refer to Note 16 for related party disclosures.

Directors' Declaration

Directors' Declaration

In accordance with a resolution of the Directors of AP Ventures Limited, I declare that in the opinion of the Directors:

1. The financial statements and notes that are set out on pages 6 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position of the Company as at **31 December 2020** and of its performance as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 2(a); and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2(a), and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Michael Jefferies
Non-Executive Director and Chairman
Sydney
24 February 2021



Independent Auditor's Report

To the shareholders of AP Ventures Limited

Opinion

We have audited the **Financial Report** of AP Ventures Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2020;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in AP Ventures Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Kristen Peterson

Partner

Sydney

24 February 2021

Corporate Information

Directors

Michael Jefferies, Non-Executive Director and Chairman
Hugh Robertson, Non-Executive Director
Sophie Karzis, Non-Executive Director
John McBain, Non-Executive Director

Registered office

Level 36, 1 Macquarie Place
Sydney NSW 2000
Australia

Auditors

KPMG
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300 Barangaroo Avenue
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Australia