Creating and investing in market leading software businesses

Annual Report 2022

CONTENTS

ABOUT US

AD1 Holdings is a technology company that strives to deliver strong shareholder returns through a diversified portfolio of software businesses

People. Software. Solutions.

HIGHLIGHTS

$6.0m

Annual Group Revenue

Up 12% on FY21

$6.8m	>90%	>90%	68
Customer Receipts	**Customer Retention**	**Annual Recurring Revenue**	**New Customers**
Up 35% on FY21		FY22 and growing	Added across all verticals

OUR 100% OWNED SAAS BUSINESS VERTICALS

AD1 HOLDINGS

ApplyDirect | jobtale | ART of MENTORING | utility software services

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

Andrew Henderson
Chairman

Brendan Kavenagh
Managing Director & CEO

Dear Shareholders,

We are pleased to have delivered a solid financial performance in FY22 with the company achieving 12% year-on-year revenue growth to $6.0 million while simultaneously laying a strong foundation by investing heavily in our products and teams to execute our growth strategy.

Our financial performance for the year was supported by over 60 contract wins across all three divisions, with cash receipts witnessing a 35% increase compared to FY21 to total $6.8m. Total revenue increased to $7.8 million following a Research & Development tax incentive of $1.8 million and to support the execution of our growth strategy we entered into a $5.0 million four year secured loan facility with PURE Asset Management in the first half of the year.

Throughout the year, we had a strong sales focus and invested in further sales and marketing to drive greater adoption of our products. Overall, our expenses increased by 26% as we delivered on our strategy of growing our presence offshore and concentrated on further penetrating both new and existing geographic markets.

The strong investment in our business delivered strong results for the Art of Mentoring (AoM) and ApplyDirect divisions which witnessed significant interest and increased adoption from our improved offerings.

ApplyDirect

Over the year we significantly invested in the software and product development of ApplyDirect to ensure greater customer experience and our investment in the division was supported by new customer wins and renewals from existing core customers including the NSW Public Services Commission and Pharmacy Guild and Development Victoria. We expect this business will continue its steady trajectory of growth.

Art of Mentoring

FY22 was the first full year AoM was integrated in AD1's product suite and has witnessed significant traction with over 50 new contract wins and $3.7 million in Lifetime Value (LTV). Strong customer penetration resulted in significant performance, with 44% year-on-year revenue growth and a 78% uplift in cash receipts from customers compared to FY21. We have had a strong focus on expansion of our AoM product in North America and it was pleasing to sign HR.com as well as a 12-month pilot with the US Department of Labor to further support our footprint in the region.

As the Company grows, we see AoM as a key area of focus for the growth of the business and have recently relocated newly appointed CEO and Co-Founder Alex Richardson to Austin, Texas to establish an in-country presence and to drive growth in the region with a focus on capturing greater market share.

Utility Software Services

Despite the impacts of the well documented energy crisis, Utility Software Services (USS) maintained revenue in FY22. We remain committed to supporting existing customers and converting the current pipeline for the division, as we endeavour to improve upon our product offerings and continue to monitor the energy impact for USS.

We continue to be focused on our commitment to consistently grow our product suite of Software as a Service (SaaS) solutions and are investing in all of our divisions to ensure our technology capabilities are delivering a leading service to our customer base with increased analytics to drive greater insights.

Jobtale

Jobtale is a proprietary new platform, complementary to our HR Tech suite of products that provides companies with an innovative and creative tool to attract and engage top talent via their network. We launched the platform in August and early indications have shown strong interest with ~100 customers signed and 10 key pilot partners selected to help improve and test the platform.

The growth achieved over the financial year would not have been achieved without the dedication of our staff and management who have worked consistently to deliver SaaS solutions to our customers and drive value for you, our shareholders.

We continue to monitor the progress of Jobtale in what is a disruptive and potentially highly lucrative opportunity. We expect FY23 to be a key go to market and investment year as this product matures.

Scout Talent Group

The acquisition of leading SaaS talent acquisition software provider, Scout Talent Group is transformational for our business, as it is consistent with our strategy of delivering strong shareholder returns by acquiring and growing SaaS businesses within fast growing markets. Scout adds significant scale and growth opportunities via the cross-sell and up-sell of a range of our products to new and existing customers. Scout achieved 45% year-on-year ARR growth and 300 new customers during FY22 and will grow our Company's customer base to over 900 active customers.

Post completion of the Scout Talent acquisition, AD1 is forecasting total revenue in excess of $30 million for FY23 and positive EBITDA. At the time of writing our Annual Report we are finalising next steps to begin a capital raise. It is our intention to have the capital raise completed by November to conclude the transaction.

The growth achieved over the financial year would not have been achieved without the dedication of our staff and management who have worked consistently to deliver SaaS solutions to our customers and drive value for you, our shareholders. We would like to thank the broader team for their efforts under changing market conditions

As we look to the future, we continue to be focused on delivering top line growth while improving operational efficiencies in our platforms to generate greater margin expansion. A successful FY23 will see AD1 Holdings achieve strong topline growth, execute on our upsell and cross sell opportunities, manage operational expenditure and deliver profitable EBITDA results.

We will focus on all regions of our business to further increase our market share. Delivering shareholder value remains imperative to our purpose and appreciate your continued support. We look forward to updating you throughout FY23.

Andrew Henderson
Chairman

Brendan Kavenagh
Managing Director & CEO

BUSINESS OVERVIEW

AD1 Holdings is an ASX-listed technology company focused on creating and investing in market-leading software businesses. Our ambition is to deliver strong shareholder returns via a diversified global portfolio of Software as a Service (SaaS) platform brands aligned to target customer segments.

AD1 Holdings is focused on creating sustainable long-term shareholder value via cutting-edge SaaS products that provide diversified recurring revenue and strong growth potential.

We'll meet this aspiration by leveraging both organic and M&A channels. Our software businesses typically sign multi-year contracts and enjoy strong customer retention, ensuring reliable ongoing subscription revenue. Our M&A pipeline is focused on high-growth companies with large total addressable markets (TAM) that are currently under-penetrated. We seek acquisition opportunities that align with our existing customer segments and allow us to exploit operational synergies.

Our M&A activity is centred on acquiring complementary businesses across the Asia Pacific region that increase earnings per share (EPS).

These accretive acquisitions will align with our existing brands and strengthen our portfolio of SaaS platforms and consulting services.

We'll target companies that allow AD1 Holdings to access new markets, expand our penetration of existing markets and create cross-selling opportunities, growing our customer base. Our acquisitions will enable the automation and optimisation of highly transactional, non-core processes and offer a positive or near-positive EBIT.

Our businesses

ApplyDirect provides customer-branded recruitment marketing platforms and related digital services. We work with government, enterprise and SME clients to build talent platforms that bring employers and candidates together, streamline the recruitment experience and reduce costs.

We're proud to power the career portals for Australia's two largest employers – the Victorian and New South Wales governments.

Utility Software Services provides a suite of software solutions that support energy retailers to optimise their operations. From billing and payments to customer relationship management and end-to-end customer portals, our innovative solutions allow clients to operate more efficiently and deliver a better customer experience.

We partner with start-ups through to Australia's leading energy and electricity providers to help them streamline their operations and become more competitive.

Art of Mentoring provides best-in-class mentoring programs that empower organisations to shift culture and develop their people. Our customisable SaaS platform uses the latest technology to streamline administration and enable high-impact, strategic mentoring that delivers measurable results.

We match tens of thousands of mentors and mentees for leading corporate and government clients each year.

Jobtale provides a purpose-built recruitment platform that organisations can use to create appealing and informative job ads to attract top talent. Our highly customisable product enables users to add video, photos and employee-generated content to show candidates what it is like to work in a company.

We empower recruiters to fill job roles using their brand and storytelling and by sharing ads with their network and social channels.

Scout Talent Group provides a market leading recruitment software and services platform to organisations so they can attract and hire the best talent. Scout work with small businesses to large enterprise customers in Australia and North America to offer a scalable product, including a specialised HR CRM platform, to facilitate automation for in-house HR and recruitment teams.

We accelerate, streamline and automate end-to-end recruitment processes for organisations globally by providing a full product suite to attract, engage, hire, onboard, pay, develop, and retain talent.

DIRECTORS

Andrew Henderson
Non-Executive Chairman

Member of the Audit & Risk Committee

Andrew is an experienced executive director and technology leader with more than 25 years of experience in the IT industry.

He founded and later sold IT, business and management consulting group Phoenix IT and also founded and sold the APAC business of Jitterbit Inc. He was Managing Director – APAC of Jitterbit for 2 years post sale; Chair of 8Squad Pty Ltd a Salesforce implementation Partner; Chair of AD1 Holdings Limited (ASX:AD1); Non-Exec Director of Care Access Pty Ltd – NDIS Data processing business approved by the Federal Government; Diploma in Markets (Equity Markets); and Master of Science (Information Technology) Member AICD.

Michael Norster
Non-Executive Director

Chair of the Audit & Risk Committee

Mr Norster has been and is the major driving force in forming a number of successful start-up, Australian businesses. Mr Norster founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and Executive Chairman of the Green Generation group of private companies, which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to ApplyDirect, Mr Norster was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications).

Nicholas Smedley
Non-Executive Director

Mr Smedley is an experienced investment banker and M&A adviser, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A$9 billion defence of WMC Resources through to the investment of $65 million into Catch.com.au. Mr Smedley currently oversees investments in the property, aged care, technology and medical technology space. Key areas of expertise include M&A, debt structuring, corporate governance and innovation. He holds a Bachelor of Commerce from Monash University. Mr Smedley is currently the Executive Chairman of Respiri Limited (ASX: RSH) and Findi Limited (ASX: FND).

Brendan Kavenagh
Managing Director & CEO

Mr Kavenagh has over 20 years in executive leadership roles within the technology, recruitment and the professional services industry, with a successful background in building and executing sales strategies and leading teams to achieve highly successful growth results.

Prior to AD1, he was CEO of Davidson Technology and Monitor Consulting between 2016 to 2020, where he implemented new operating models, sales strategies and led the company through a significant transitionary period resulting in high growth, high staff engagement and record company profits.

Before that, Mr Kavenagh was General Manager (Victoria) for Ambit Technology, driving unprecedented YoY growth and ultimately resulting in the sale of Ambit Technology to Peoplebank for approximately $100 million in 2008.

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of AD1 Holdings Limited (the "Company") and the entities it controlled (together, the "Group" or "AD1") at the end of, or during the year ended 30 June 2022.

Directors

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

Andrew Henderson (Non-Executive Chairman)

Position Held	Member of Audit Risk & Compliance Committee
Experience	Andrew is an experienced executive director and technology leader with more than 25 years of experience in the IT industry. He founded and later sold IT, business and management consulting group Phoenix IT and also founded and sold the APAC business of Jitterbit Inc. He was Managing Director - APAC of Jitterbit for 2 years post sale. He is the Chair of 8Squad Pty Ltd a Salesforce implementation Partner and Non Exec Director of Care Access Pty Ltd - NDIS Data processing business approved by the Federal Government.Andrew has a Diploma in Markets (Equity Markets), a Master of Science (Information Technology), he is a Member of the Australian Institute of Company Directors.
Directorships held in other listed entities	Nil

Michael Norster (Non-Executive Director)

Position Held	Chair of Audit Risk & Compliance Committee
Experience	Michael Norster has been and is the major driving force in forming a number of successful start-up, Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and Executive Chairman of the Green Generation group of private companies, which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to ApplyDirect, Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications).
Directorships held in other listed entities	Nil

Nicholas Smedley (Non-Executive Director)

Position Held	Nil
Experience	Mr Smedley is an experienced investment banker and M&A adviser, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A$9 billion defence of WMC Resources through to the investment of $65 million into Catch.com.au. Mr Smedley currently oversees investments in the property, aged care, technology and medical technology space. Key areas of expertise include M&A, debt structuring, corporate governance and innovation. He holds a Bachelor of Commerce from Monash University.
Directorships held in other listed entities	Respiri Limited, Findi Limited

Brendan Kavenagh (Managing Director & CEO) appointed 7 July 2021

Position Held	Nil
Experience	Mr Kavenagh has over 20 years in executive leadership roles within the technology recruitment and professional services industry with a successful background in building and executing sales strategies and leading teams to achieve highly successful growth results. Prior to AD1, he was CEO of Davidson Technology and Monitor Consulting between 2016 to 2020, where he implemented new operating models, sales strategies and led the company through a significant transitionary period resulting in high growth, high staff engagement and record company profits. Before that, Mr Kavenagh was General Manager (Victoria) for Ambit Technology, driving unprecedented YoY growth ultimately resulting in the sale of Ambit Technology to Peoplebank for approximately $100 million in 2008.
Directorships held in other listed entities	Nil

Prashant Chandra (resigned 7 July 2021)

Company secretary

Mr Justin Mouchacca has been appointed as Company Secretary of AD1 on 22 April 2022, following the resignation of Mr Harvey Bui.

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Principal Activities

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

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

Operating and Financial Review

Our financial performance for the year was supported by contract wins across all three divisions, with cash receipts witnessing a 35% increase compared to FY21 to total $6.8m. Total revenue increased to $7.8 million following a Research & Development tax incentive of $1.8 million and to support the execution of our growth strategy we entered into a $5.0 million four year secured loan facility with PURE Asset Management in the first half of the year.

Throughout the year, we had a strong sales focus and invested in further sales and marketing to drive greater adoption of our products. Overall, our expenses increased by 26% as we delivered on our strategy of growing our presence offshore and concentrated on further penetration of both new and existing geographic markets. The strong investment in our business delivered strong results for the AoM and ApplyDirect divisions which witnessed significant interest and increased adoption from our improved offerings.

Dividends

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

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of entities in the Group during the financial year under review not otherwise disclosed in the Annual Report.

Matters Subsequent to Reporting Period

As announced on 30 August 2022 the Group intends to acquire 100% of Scout Talent Group. The acquisition is to be partially funded via a $25.0m capital raise, which will provide $6.5m of additional working capital post the cash consideration paid.

Likely developments and expected results of operations

On 30 August 2022 AD1 Holdings (ASX: AD1) announced that it has entered into a share sale agreement for the acquisition of Scout Talent Group Pty Ltd, a leading Australian-based software-as-a-service talent acquisition software provider for a total consideration of $65 million. Scout is the market leader in talent acquisition software, enabling the highly lucrative mid market to move from reactive to strategic talent acquisition.

Environmental regulations

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

Risk Management

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

The Group has continued to diligently assess the unfolding situation of COVID-19, its impact on the business, and proactively put in place the necessary arrangements to ensure the continuity of its business operations.

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

Competition

The Group operates in a competitive industry which is subject to increasing competition from companies in Australia and throughout the world, through a combination of established organisations and new entrants to the market. The Group cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in the HR and energy technology sectors.

Failure to protect intellectual property

The Group's proprietary cataloguing system and search engine is not protected through any patent or other form of registered intellectual property. The Group considers that, in practical terms, its proprietary cataloguing system and search engine are not likely to be capable of intellectual property registration. A lack of registered protection is likely to enhance the risk that the Group's intellectual property may be the subject of unauthorised disclosure or unlawfully infringed. The Group may need to incur substantial costs in monitoring, asserting or defending its intellectual property rights.

Cyber security, computer crime and privacy breaches

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

Failure to execute strategic initiatives/operating costs and margins

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

Meetings of Directors

A number of formal meetings and circular resolutions were held during the year as tabled below:

	Directors' Meetings		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Andrew Henderson	3	3	2	2	–	–
Michael Norster	3	2	2	2	–	–
Nicholas Smedley	3	2	–	–	–	–
Brendan Kavenagh	3	3	–	–	–	–

For the date of appointment and resignation of each Director and Executive, please refer to the Remuneration Report section of the Directors' Report.

Indemnification of Officers and Auditors

Insurance of officers and indemnities

The Group has indemnified the Directors and Executives of the Group for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Group paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Insurance of auditors and indemnities

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

DIRECTORS' REPORT
(continued)

Proceedings on Behalf of the Company

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

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

During the year ended 30 June 2022 the Company did not engage the external auditor to provide non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 18 of the consolidated financial report.

Share Options on Issue as at the Date of this Report

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

Grant date	Expiry date	Exercise Price $	Options over ordinary shares
15 Jun 2020	14 Jun 2024	0.020	150,000
15 Jun 2020	14 Jun 2024	0.020	150,000
23 Jul 2020	22 Jul 2024	0.050	333,333
23 Jul 2020	22 Jul 2024	0.075	333,333
23 Jul 2020	22 Jul 2024	0.100	333,334
27 Nov 2020	27 Nov 2022	0.077	5,914,488
27 Nov 2020	27 Nov 2025	0.100	10,000,000
27 Nov 2020	27 Nov 2025	0.200	67,000,000
27 Nov 2020	27 Nov 2025	0.300	34,000,000
27 Nov 2020	27 Nov 2025	0.400	34,000,000
27 Nov 2020	27 Nov 2025	0.100	75,000,000
28 Oct 2021	28 Oct 2021	0.052	14,468,754
17 Jan 2022	16 Jan 2023	0.052	1,406,250

There were no listed options outstanding at the reporting date.

Corporate Governance

In accordance with ASX listing Rule 4.10.3, the Company's 2022 Corporate Governance Statement can be found on its website at www.ad1holdings.com.au.

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

Remuneration Report (Audited)

The Directors present the AD1 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The report is structured as follows:

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

(b) Details of remuneration

(c) Service agreements

(d) Share-based compensation

(e) Relationship between the remuneration policy and Group performance

(f) Key Management Personnel disclosures

Remuneration Policy

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

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

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

The Board will review the remuneration of executive and Non-Executive Directors and other executives having regard to any recommendations made by the Chief Executive Officer of the Group and other external advisers, including legal counsel.

Executive remuneration

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

Non-Executive Director remuneration

Non-Executive Director remuneration consists of fixed remuneration, equity-based remuneration and superannuation.

Fixed remuneration

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

Variable performance-based remuneration

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

Equity-based remuneration

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

Securities trading policy

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

Remuneration Policy Versus Company Financial Performance

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

Non-Executive Directors' remuneration is not affected by the Group performance.

Details of remuneration

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

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

Mr Andrew Henderson (Non-Executive Chairman)

Mr Michael Norster (Non-Executive Director)

Mr Nicholas Smedley (Non-Executive Director)

Mr Brendan Kavenagh (Managing Director & CEO) (Appointed 7 July 2021)

Mr Prashant Chandra (resigned 7 July 2021)

There are no other Key Management Personnel other than those stated above.

Consequences of performance on shareholder wealth

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

Financial Year	Net (Loss)/ Profit $	Share Price at Balance Sheet Date $	Loss per Share (cents) $
2022	(2,666,229)	0.012	(0.42)
2021	(2,219,600)	0.037	(0.39)
2020	(2,181,158)	0.010	(0.41)
2019	(4,382,111)	0.010	(1.50)
2018	(4,748,183)	0.050	(2.65)

Performance-based Remuneration

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance-based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of short-term and long-term KPI's to determine achievement, depending on the role of the executive or director being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time; and
- completion of set milestones.

The Non-Executive Directors do not receive performance-based remuneration.

Details of Remuneration for the Year Ended 30 June 2022

The remuneration for each Director and each of the other Key Management Personnel of the consolidated entity during the year was as follows:

	Short-term Employee Benefits		Post-employment benefits	Long-term benefits	Share-based payments		
2022	**Cash salary and fees $**	**Cash bonus $**	**Super-annuation contribution $**	**Long service leave $**	**Equity-settled shares $**	**Equity-settled options $**	**$**
Directors							
Andrew Henderson	**77,550**	**–**	**–**	**–**	**–**	**155,614**	**233,164**
Michael Norster	**50,000**	**–**	**5,000**	**–**	**–**	**155,614**	**210,614**
Prashant Chandra	**220,071**	**–**	**12,266**	**–**	**–**	**–**	**232,337**
Nicholas Smedley	**77,605**	**–**	**–**	**–**	**–**	**155,614**	**233,219**
Brendan Kavenagh	**321,767**	**–**	**23,580**	**–**	**–**	**146,531**	**491,878**
	746,993	**–**	**40,846**	**–**	**–**	**613,373**	**1,401,212**

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

	Short-term Employee Benefits		Post-employment Benefits	Long-term benefits	Share-based payments		
2021	**Cash salary and fees $**	**Cash bonus $**	**Super-annuation contribution $**	**Long service leave $**	**Equity-settled shares $**	**Equity-settled options $**	**$**
Directors							
Andrew Henderson	55,000	–	–	–	–	483,416	538,416
Michael Norster	36,667	–	3,483	–	–	483,416	523,566
Prashant Chandra	308,702	–	19,250	12,147	–	64,197	404,296
Nicholas Smedley	40,150	–	–	–	–	483,416	523,566
	440,519	–	22,733	12,147	–	1,514,445	1,989,844

Share-based Compensation

Issue of shares

During the year ended 30 June 2022, there have been no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

Issue of options over ordinary shares

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2022 is set out below:

Name	No. of options granted during the year	No. of options granted during the prior year	No. of options vested during the year	No. of options vested during the prior year
Andrew Henderson	–	65,000,000	–	–
Michael Norster	–	65,000,000	–	–
Nicholas Smedley	–	65,000,000	–	–
Brendan Kavenagh	15,000,000	–	–	–

Options granted carry no dividend or voting rights.

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

(a) Shareholdings

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

30 June 2022	Balance at Start of the Year	Granted as Compensation	Purchases	Disposals/ other	Balance at End of the Year
Directors					
Andrew Henderson	**5,323,988**	**–**	**2,862,500**	**–**	**8,186,488**
Michael Norster*	**139,310,887**	**–**	**2,062,500**	**–**	**141,373,387**
Prashant Chandra**	**222,222**	**–**	**–**	**(222,222)**	**–**
Nicholas Smedley	**68,888,313**	**–**	**1,562,500**	**–**	**70,450,813**
Brendan Kavenagh***	**–**	**–**	**937,500**	**30,000**	**967,500**
	–	**–**	**–**	**–**	**–**
	213,745,410	**–**	**7,425,000**	**(192,222)**	**220,978,188**

* Opening balance includes 2,000,000 shares which were not previously included and have been updated accordingly.
** Resigned 7 July 2021.
*** Appointed 7 July 2021.

30 June 2021	Balance at Start of the Year	Granted as Compensation	Purchases	Disposals/ other	Balance at End of the Year
Directors					
Andrew Henderson	4,651,765	–	672,223	–	5,323,988
Michael Norster	137,060,887	–	250,000	–	137,310,887
Prashant Chandra	222,222	–	–	–	222,222
Nicholas Smedley	68,238,313	–	650,000	–	68,888,313
Brendan Kavenagh	30,000	–	–	–	30,000
	210,203,187	**–**	**1,572,223**	**–**	**211,775,410**

(b) Options and Rights

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

30 June 2022	Balance at Start of the Year	Granted as Compensation	Purchases	Expired, forfeited and other	Balance at End of the Year
Directors					
Andrew Henderson	**66,971,496**	**–**	**–**	**390,625**	**67,362,121**
Michael Norster	**68,360,384**	**–**	**–**	**(998,263)**	**67,362,121**
Prashant Chandra *	**20,300,000**	**–**	**–**	**(20,300,000)**	**–**
Nicholas Smedley	**66,971,496**	**–**	**–**	**390,625**	**67,362,121**
Brendan Kavenagh **	**–**	**15,000,000**	**–**	**234,375**	**15,234,375**
	222,603,376	**15,000,000**	**–**	**(20,282,638)**	**217,320,738**
30 June 2021					
Directors					
Andrew Henderson	444,444	65,000,000	–	1,527,052	66,971,496
Michael Norster	2,055,555	65,000,000	–	1,304,829	68,360,384
Prashant Chandra	5,411,111	15,000,000	–	(111,111)	20,300,000
Nicholas Smedley	–	65,000,000	–	1,971,496	66,971,496
	–	–	–	–	–
	7,911,110	**210,000,000**	**–**	**4,692,266**	**222,603,376**

* Resigned 7 July 2021.

** Appointed 7 July 2021.

This is the end of the Audited Remuneration Report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Brendan Kavenagh
Managing Director & CEO

Dated this 30 day of September 2022
Melbourne, Australia

AUDITOR'S INDEPENDENCE DECLARATION

PKF Melbourne

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

In relation to our audit of the financial report of AD1 Holdings Limited for the year ended 30 June 2022, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF
Melbourne, 30 September 2022

Kenneth Weldin
Partner

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue			
Contracts with customers	4	**5,986,390**	5,338,590
Other income	4	**1,810,158**	705,199
Interest income		**1,572**	9
Total revenue		**7,798,120**	6,043,798
		7,798,120	6,043,798
Expenses	5		
Employee benefits expense		**(3,966,582)**	(4,798,393)
Software development and other IT expense		**(1,718,026)**	(925,433)
Consulting and professional service expense		**(2,243,546)**	(1,785,160)
Advertising and marketing expense		**(538,710)**	(139,463)
Occupancy, utilities and office expense		**(205,611)**	(124,379)
Depreciation and amortisation expense		**(716,418)**	(440,485)
Travel expense		**(16,602)**	(18,421)
Finance expenses		**(399,274)**	(32,012)
Other expense		**(659,580)**	348
Total expenses		**(10,464,349)**	(8,263,398)
Loss before income tax expense from continuing operations		**(2,666,229)**	(2,219,600)
Income tax expense	7	**–**	–
Loss after-income tax for the year		**(2,666,229)**	(2,219,600)
Other comprehensive income, net of tax			
Total comprehensive loss for the year		**(2,666,229)**	(2,219,600)
Loss per share			
Basic earnings per share (cents)	6	**(0.42)**	(0.39)
Diluted earnings per share (cents)	6	**(0.42)**	(0.39)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**1,962,966**	523,434
Trade and other receivables	9	**2,993,101**	1,873,287
Total current assets		**4,956,067**	2,396,721
Non-current assets			
Property, plant and equipment & right-of-use asset	10	**262,306**	103,716
Intangible assets	11	**9,108,820**	6,544,477
Other assets	27	**85,001**	82,327
Total non-current assets		**9,456,127**	6,730,520
Total assets		**14,412,194**	9,127,241
LIABILITIES			
Current liabilities			
Trade and other payables	13	**2,155,116**	1,555,157
Current tax liabilities		**175,072**	437,680
Lease liabilities	18	**84,024**	54,224
Employee benefits		**275,767**	302,666
Contract liabilities	29	**843,058**	492,867
Other liabilities	12	**1,500,000**	1,290,313
Total current liabilities		**5,033,037**	4,132,907
Non-current liabilities			
Borrowings	28	**3,333,333**	–
Lease liabilities	18	**167,157**	–
Employee benefits		**51,477**	57,120
Other liabilities		**–**	1,241,827
Total non-current liabilities		**3,551,967**	1,298,947
Total liabilities		**8,585,004**	5,431,854
Net assets		**5,827,190**	3,695,387
EQUITY			
Issued capital		**31,604,804**	29,156,778
Reserves	16	**3,901,118**	1,606,434
Accumulated losses		**(29,678,732)**	(27,067,825)
Total equity		**5,827,190**	3,695,387

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

2022	Share Capital $	Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2021	**29,156,778**	**1,606,434**	**(27,067,825)**	**3,695,387**
Total comprehensive loss for the year	**–**	**–**	**(2,666,229)**	**(2,666,229)**
Other movements	**–**	**–**	**55,322**	**55,322**
Total comprehensive income for the year	**–**	**–**	**(2,610,907)**	**(2,610,907)**
Transactions with Equity holders in their capacity as Equity holders				
Shares issued	**2,032,000**	**–**	**–**	**2,032,000**
Options granted	**–**	**1,855,909**	**–**	**1,855,909**
Capital raising costs	**(56,680)**	**–**	**–**	**(56,680)**
Share-based payment expense	**–**	**632,923**	**–**	**632,923**
Business acquisition	**472,706**	**–**	**–**	**472,706**
Options expired/forfeited	**–**	**(194,148)**	**–**	**(194,148)**
Balance at 30 June 2022	**31,604,804**	**3,901,118**	**(29,678,732)**	**5,827,190**
2021				
Balance at 1 July 2020	26,368,683	53,702	(24,870,475)	1,551,910
Total comprehensive loss for the year	–	–	(2,219,600)	(2,219,600)
Transactions with Equity holders in their capacity as Equity holders				
Shares issued	2,500,000	–	–	2,500,000
Options granted	–	1,561,679	–	1,561,679
Capital raising costs	(212,463)	–	–	(212,463)
Share-based payment expense	–	13,307	–	13,307
Business acquisition	500,558	–	–	500,558
Options expired/forfeited	–	(22,254)	22,250	(4)
Balance at 30 June 2021	29,156,778	1,606,434	(27,067,825)	3,695,387

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2021 $	2022 $
Cash flows from operating activities			
Receipts from customers		**6,789,561**	5,003,082
Payments to suppliers and employees (inclusive of GST)		**(7,786,129)**	(5,698,796)
Government grants and R&D claims		**514,974**	548,859
Income taxes paid		**(262,608)**	(87,536)
Interest received		**(1,102)**	9
Interest and other costs of finance paid		**(385,179)**	(20,359)
Net cash inflow/(outflow) from operating activities	23	**(1,130,483)**	(254,741)
Cash flows from investing activities			
Payments for property, plant and equipment		**(19,649)**	(29,691)
Payments for Software Development		**(3,171,509)**	(1,013,062)
Acquisition of Art of Mentoring Pty Ltd (net of cash acquired)		**(1,000,000)**	(894,650)
Net cash inflow/(outflow) from investing activities		**(4,191,158)**	(1,937,403)
Cash flows from financing activities			
Proceeds from issuance of shares and other equity securities		**2,032,000**	2,500,000
Borrowings		**5,000,000**	–
Capital raising costs		**(56,680)**	(122,463)
Transaction costs relating to loans and borrowings		**(150,000)**	(17,500)
Repayments of lease liabilities		**(64,147)**	(104,201)
Net cash inflow/(outflow) from financing activities		**6,761,173**	2,255,836
Net increase/(decrease) in cash and cash equivalents held		**1,439,532**	63,692
Cash and cash equivalents at beginning of year		**523,434**	459,742
Cash and cash equivalents at end of financial year	8	**1,962,966**	523,434

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. General information and basis of preparation

Corporate information

The financial statements cover AD1 Holdings Limited (formerly ApplyDirect Limited) (the "Company") and its controlled entity (together referred to as, we, us, our, AD1, Group) for the year ended 30 June 2022. The Company is a 'for profit' company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

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

Significant changes in the current reporting period

There were no significant changes on the entities in the Group during the financial year.

Basis of Preparation

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

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) Functional and presentation currency

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

(iv) Principles of consolidation

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

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

The acquisition method of accounting is used to account for business combinations by the Group – refer to note 3(d). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Going Concern Basis

During the year the Group incurred a loss of $2,666,229 and had net cash outflows from operating activities of $1,130,483. The financial position of the Group at 30 June 2022 shows an excess of current liabilities over current assets of $76,970. These conditions may indicate a material uncertainty that may cast doubt about the Group's ability to continue as a going concern and that it may be unable to release its assets and discharge its liabilities in the normal course of business.

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

- As announced on 30 August 2022 the Group intends to acquire 100% of Scout Talent Group. Post completion the pro-forma revenue of the group is in excess of $30m and expected to be EBITDA and cash flow positive. The acquisition is to be partially funded via a $25.0m capital raise, which will provide $6.5m of additional working capital post the cash consideration paid,
- The Directors believe that there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance its portfolio.
- The Group is expecting post year end a research and development tax incentive of $1.8m.

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

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

2. New and amended standards and interpretations

(a) New and amended standards adopted by the group

There were no other accounting pronouncements which have become effective from 1 July 2021 and have therefore been adopted, that have a significant impact on the Group's financial results or position.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

3. Significant accounting policies

(a) Revenue from contracts with customers

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

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

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

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

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

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

(i) Revenue from rendering of services

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

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

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

(ii) Revenue from fees

Revenue from fees include IT development and consulting.

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

(b) Government grants

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

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

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

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

(c) Income tax

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

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

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

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

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

Tax consolidated group

Under Australian taxation law, the Company added its newly acquired Australian wholly-owned entity (member) into the tax consolidated group from 26 October 2020 and are treated as a single entity for income tax purposes. The Company is the head entity of the Group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the Group.

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

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

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

(d) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

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

(e) Cash and cash equivalents

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

(f) Trade receivables

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

Impairment

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

(g) Plant and equipment

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

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts. Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised as the fair value of the asset at the date it is acquired.

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

- Office furniture and equipment 3-20 years

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

(h) Intangible assets

(i) Goodwill

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

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

(ii) Licences and customer contracts

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

(iii) Software

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

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

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

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

(iv) Research and development

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

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

(v) Amortisation methods and periods

Refer to Note 11(a) for details about amortisation methods used by the Group for intangible assets.

(i) Impairment of assets

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

(j) Trade and other payables

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

(k) Contract liabilities

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

(l) Provisions

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

(m) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(n) Share-based payments

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

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

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

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

(o) Leases

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

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

Measurement and recognition of leases as a lessee:

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

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

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

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

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

(p) Contributed equity

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

(q) Earnings per share

(i) Earnings loss per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing:

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

(r) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Operating segment

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

(t) Critical accounting estimates and assumptions

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

(i) Deferred tax assets

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

(ii) Intangible assets

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

(iii) Share-based payments

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

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

(iv) Impairment of goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

4. Revenue and Other Income

Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers:

	2022 $	2021 $
Rendering of services disaggregation:		
Managed services (including SaaS and business process outsourcing)	**5,289,293**	3,713,664
IT Development and Consulting	**697,097**	1,624,926
	5,986,390	5,338,590
Timing of revenue recognition		
– At at point in time	**2,395,228**	1,764,166
– Over time	**3,591,162**	3,574,424
	5,986,390	5,338,590

(b) Information about major customers:

The Group had the following major customers with revenues amount to 10% or more of the total Group revenues:

	2022 %	2021 %
Customer 1	**25**	32
Customer 2	**20**	21

(c) Contract liabilities

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

Other income

	2022 $	2021 $
Research and development tax incentive	**1,810,158**	629,973
Changes in contingent liability	**–**	75,226
	1,810,158	705,199

5. Expenses

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

	2022 $	2021 $
Employee benefit expense		
Share-based payment	**632,923**	1,484,982
Salaries and wages	**2,258,661**	2,657,075
Superannuation	**514,293**	274,862
Other employee related expenses	**560,705**	381,473
	3,966,582	4,798,392
Depreciation and amortisation expense		
Depreciation of right-of-use assets	**87,387**	97,243
Depreciation of other property, plant and equipment	**20,681**	19,024
Amortisation of intangible assets	**608,350**	324,218
	716,418	440,485
Finance expense		
Interest expense on lease liability	**14,095**	11,653
Other interest expenses	**385,179**	20,359
	399,274	32,012

6. Loss per share

	2022 Cents	2021 Cents
Basic loss per share	**(0.42)**	(0.39)
Diluted loss per share	**(0.42)**	(0.39)
Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	**(2,666,229)**	(2,219,600)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**628,221,982**	570,237,752

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2022 and 30 June 2021 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

7. Income Tax Expense

(a) Income tax expense

	2022 $	2021 $
Current tax	–	–

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

	2022 $	2021 $
Loss from continuing operations before income tax expense	**(2,666,229)**	(2,219,600)
Tax at the Australian tax rate of 25.0% (2021: 26.0%)	**25.00%**	26.00%
	(666,557)	(577,096)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable R&D rebate	**(251,985)**	(133,893)
Non-allowable expenses	**519,053**	456,310
Tax losses and other timing differences for which no DTA is recognised	**399,489**	254,679
Income tax expense	**–**	–

(c) Unrecognised deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 25% (2021: 26%) disclosed in the table below have not been recognised given the recognition requirements of AASB 112 and the fact the Group has not previously generated taxable income.

	2022 $	2021 $
Deferred tax assets not recognised at the reporting date		
Unused tax losses	**23,065,064**	20,482,320
Potential tax benefit at 25% (2021: 26%)	**5,766,266**	5,632,638

8. Cash and Cash Equivalents

	2022 $	2021 $
Cash at bank	**1,962,966**	523,434
	1,962,966	523,434

9. Trade and other receivables

	2022 $	2021 $
Current		
Trade receivables	**235,296**	660,936
Unbilled revenue	**481,778**	536,795
Prepayments	**291,053**	133,304
R&D tax claim receivable	**1,810,158**	514,973
Other receivables	**174,816**	27,279
	2,993,101	1,873,287

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

Allowance for expected credit losses

The Group has recognised a loss of $0 (2021: $0) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022. Note 25(b) includes disclosures relating to the credit risks exposures and analysis relating to the allowance for expected credit losses.

10. Property, plant and equipment & right-of-use asset

	Office furniture and equipment $	Right-of-use asset $	Total $
As at 30 June 2020			
Cost	142,425	386,199	528,624
Accumulated depreciation	(96,029)	(255,198)	(351,227)
Net book value	46,396	131,001	177,397
Movements:			
Opening net book value	46,396	131,001	177,397
Adjustment – adoption of AASB 16	–	12,895	12,895
Additions	29,691	–	29,691
Disposals	–	–	–
Depreciation charge	(19,024)	(97,243)	(116,267)
Closing net book value	57,063	46,653	103,716
As at 30 June 2021			
Cost	**171,354**	**399,094**	**570,448**
Accumulated depreciation	**(114,291)**	**(352,441)**	**(466,732)**
Net book value	**57,063**	**46,653**	**103,716**
Movements:			
Opening net book value	**57,063**	**46,653**	**103,716**
Additions	**19,649**	**247,009**	**266,658**
Disposals	**–**	**–**	**–**
Lease expiry	**–**	**(399,094)**	**(399,094)**
Depreciation on expiry	**–**	**399,094**	**399,094**
Depreciation charge	**(20,681)**	**(87,387)**	**(108,068)**
Closing net book value	**56,031**	**206,275**	**262,306**
As at 30 June 2022			
Cost	**191,003**	**247,009**	**438,012**
Accumulated depreciation	**(134,972)**	**(40,734)**	**(175,706)**
Net book value	**56,031**	**(206,275)**	**262,306**

11. Intangible Assets

	Goodwill $	Software and licenses $	Customer contracts $	Total $
As at 30 June 2020				
Cost	1,195,139	201,801	223,198	1,620,138
Accumulated amortisation	–	(51,749)	(95,231)	(146,980)
Net book value	1,195,139	150,052	127,967	1,473,158
Movements:				
Opening net book value	1,195,139	150,052	127,967	1,473,158
Acquisitions via business combinations	2,758,052	1,093,000	531,000	4,382,052
Additions	–	1,013,062	–	1,013,062
Amortisation and/or impairment charge	–	(213,415)	(110,379)	(323,794)
Closing net book value	3,953,191	2,042,699	548,588	6,544,478
As at 30 June 2021				
Cost	**3,953,191**	**2,307,863**	**754,198**	**7,015,252**
Accumulated amortisation	**–**	**(265,164)**	**(205,610)**	**(470,774)**
Net book value	**3,953,191**	**2,042,699**	**548,588**	**6,544,478**
Movements:				
Opening net book value	**3,953,191**	**2,042,699**	**548,588**	**6,544,478**
Additions	**–**	**3,172,692**	**–**	**3,172,692**
Amortisation and/or impairment charge	**–**	**(421,670)**	**(186,680)**	**(608,350)**
Closing net book value	**3,953,191**	**4,793,721**	**361,908**	**9,108,820**
As at 30 June 2022				
Cost	**3,953,191**	**5,215,391**	**548,588**	**9,717,170**
Accumulated amortisation	**–**	**(421,670)**	**(186,680)**	**(608,350)**
Net book value	**3,953,191**	**4,793,721**	**361,908**	**9,108,820**

(a) Amortisation methods and useful lives

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

- Software and licences: 3-5 years
- Customer contracts: 3-6 years

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

(b) Impairment test for goodwill

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

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

USS:

- Discount rate is the weighted average cost of capital (WACC) for the group, estimated at 15% per annum.
- Revenue growth rate of between 0% to 15% per annum for FY23 to FY27.
- Strong cost control and focus on efficiency opportunities in line with growth.
- Terminal value is calculated based on a growth rate of 1% per annum.

AoM:

- Discount rate is the weighted average cost of capital (WACC) for the group, estimated at 10% per annum.
- Revenue growth rate of between 20% to 30% per annum from FY23 to FY27.
- Strong cost control and focus on efficiency opportunities in line with growth.
- Terminal value is calculated based on a growth rate of 1% per annum.

The inherent nature of future projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including revenue growth, and overheads rate. Management believes that any reasonable possible change in the key assumptions noted above would not cause the respective carrying values of the cash generating units to exceed their recoverable amount.

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

12. Other liabilities

	2022 $	2021 $
Other current liabilities		
Contingent consideration – Tranche 2	–	1,290,313
Other non-current liabilities		
Contingent consideration – Tranche 3	**1,500,000**	1,241,827

Contingent consideration relates to the acquisition of Art of Mentoring. Refer to Note 19 Business combinations for further details. Tranche 3 was settled in full post year end via the issue of shares in the company.

13. Trade and other payables

	2022 $	2021 $
Current		
Trade payables	**1,625,689**	1,133,046
Accrued expense	**248,604**	197,577
Other payables	**280,823**	224,534
	2,155,116	1,555,157

Information on the liquidity risk management is presented in Note 25(c).

14. Employee benefit obligations

	2022 $	2021 $
Current		
Annual leave	**275,767**	157,986
Non-current		
Long service leave	**51,477**	24,100

Amounts not expected to be settled within the next 12 months

The current provision for annual leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire balance is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. The amount of annual leave balance that is not expected to be taken or paid within the next 12 months is $195,795 (2021: $112,192).

15. Share capital

(a) Ordinary shares

	2022 No.	2022 $	2021 No.	2021 $
Ordinary shares – Fully paid	**675,814,348**	**31,604,804**	604,456,397	29,156,778

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

(b) Movements in ordinary share capital

	Number of shares	$
As at 30 June 2020	548,058,530	26,368,683
Issue of new ordinary shares under Share Purchase Plan	48,076,923	2,500,000
Less: capital raising costs	–	(212,463)
Acquisition of business combination	8,320,944	500,558
As at 30 June 2021	**604,456,397**	**29,156,778**
Shares issued – Oct 21 placement	**57,875,000**	**1,852,000**
Shares issued – Jan 22 placement	**5,625,000**	**180,000**
Less: capital raising costs	**–**	**(56,680)**
Art of Mentoring tranche 2 completion payment	**7,857,951**	**472,706**
As at 30 June 2022	**675,814,348**	**31,604,804**

During the year ended 30 June 2022, the Company issued the following securities:

Date	Details	No. of Shares	Issue Price $	Amount $
2021				
19 Oct 2020	Issue of new ordinary shares under Share Purchase Plan	48,076,923	0.052	2,500,000
19 Oct 2020	Capital raising costs	–	–	(122,463)
26 Oct 2020	Acquisition of business combination	8,320,944	0.060	500,558
27 Nov 2020	Capital raising costs – underwriter options	–	–	(90,000)
		56,397,867		2,788,095
2022				
25 Oct 2021	Issue of new ordinary shares under Placement	**57,875,000**	**0.032**	**1,852,000**
1 Nov 2021	Art of Mentoring tranche 2 completion payment	**7,857,951**	**0.060**	**472,706**
1 Nov 2021	Capital raising costs	**–**	**–**	**(56,680)**
17 Jan 2022	Directors participation in October 2021 placement approved at 2021 AGM	**5,625,000**	**0.032**	**180,000**
		71,357,951		**2,448,026**

16. Reserves

(a) Options reserve

	2022 No.	2022 $	2021 No.	2021 $
Options over ordinary shares	**305,589,492**	**3,901,118**	245,297,811	1,606,434

The reserve is used to recognise:

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

(b) Movements in options reserve

	Number of options	Amount $
As at 30 June 2020	18,183,323	53,702
Issue of new options over ordinary shares	227,914,488	1,561,679
Share-based payment expense	–	13,307
Options forfeited/expired	(800,000)	(22,254)
As at 30 June 2021	245,297,811	1,606,434
Issue of new options over ordinary shares*	**115,716,575**	1,855,909
Share-based payment expense	**–**	632,923
Options forfeited/expired	**(55,424,894)**	(194,148)
As at 30 June 2022	**305,589,492**	3,901,118

* Includes options subject to shareholder approval.

Date	Details	No. of options	Amount $
2021			
23 Jul 2020	Options granted – ESOP	2,000,000	20,585
28 Sep 2020	Options lapsed	(750,000)	(22,250)
27 Nov 2020	Options granted	195,000,000	1,360,247
27 Nov 2020	Options granted – ESOP	25,000,000	90,846
27 Nov 2020	Options granted underwriter options	5,914,488	90,000
8 Jan 2021	Options forfeited	(50,000)	(4)
30 Jun 2021	Share-based payment expense for options granted in prior period	–	13,307
		227,114,488	1,552,732
2022			
26 Oct 2020	Options granted – ESOP	**1,000,000**	**11,401**
7 May 2021	Options granted – Supplier	**11,000,000**	**87,841**
7 Jul 2021	Options forfeited	**(20,300,000)**	**(85,910)**
10 Sep 2021	Options forfeited	**(6,000,000)**	**(28,557)**
4 Oct 2021	Options lapsed	**(8,555,547)**	**–**
28 Oct 2021	Options granted – Capital raise	**14,468,754**	**–**
27 Nov 2021	Options underwriting	**5,914,488**	**90,000**
21 Dec 2021	Options lapsed	**(2,777,776)**	**–**
24 Dec 2021	Options granted – Debt facility*	**83,333,333**	**1,666,667**
22 Apr 2022	Options forfeited	**(6,000,000)**	**(49,726)**
30 Jun 2022	Options forfeited	**(5,000,000)**	**(29,955)**
30 Jun 2022	Options forfeited	**(6,791,571)**	**–**
30 Jun 2022	Share-based payment expense	**–**	**632,923**
		60,291,681	**(2,294,684)**

* Includes options subject to shareholder approval.

(c) Outstanding options

Grant date	Expiry date	Exercise price	No. of options
15 Jun 2020	14 Jun 2024	$0.020	150,000
15 Jun 2020	14 Jun 2025	$0.020	150,000
23 Jul 2020	22 Jul 2024	$0.050	333,333
23 Jul 2020	22 Jul 2024	$0.075	333,333
23 Jul 2020	22 Jul 2024	$0.100	333,334
27 Nov 2020	27 Nov 2022	$0.077	5,914,488
27 Nov 2020	27 Nov 2025	$0.100	10,000,000
27 Nov 2020	27 Nov 2025	$0.200	67,000,000
27 Nov 2020	27 Nov 2025	$0.300	34,000,000
27 Nov 2020	27 Nov 2025	$0.400	34,000,000
27 Nov 2020	23 Dec 2025	$0.100	75,000,000
28 Oct 2021	28 Oct 2022	$0.052	14,468,754
17 Jan 2022	16 Jan 2023	$0.052	1,406,250
			243,089,492

17. Share-based Payments

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

(a) Options granted during the period

The following options were issued during the current year:

	2022 No. of options	**2022 Average exercise price $**	**2021 No. of options**	**2021 Average exercise price $**
Opening balance	**245,297,811**	**0.20**	18,183,323	0.09
Granted during the year	**115,716,575**	**0.06**	227,914,488	0.20
Exercised during the year	**–**	**–**	–	–
Forfeited/expired during the year	**(55,424,894)**	**0.07**	(800,000)	0.31
Closing balance	**305,589,492**	**0.16**	245,297,811	0.20

(b) Fair value of options granted

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

Grant date	Expiry date	Exercise price $	No. of options granted	Share price at grant date $	Dividend yield	Expected volatility	Risk-free interest rate	Fair value at grant date
23 Jul 2020	22 Jul 2024	0.050	666,666	0.029	Nil	139%	0.40%	15,333
23 Jul 2020	22 Jul 2024	0.075	666,666	0.029	Nil	139%	0.40%	14,667
23 Jul 2020	22 Jul 2024	0.100	666,668	0.029	Nil	139%	0.40%	14,000
27 Nov 2020	23 Dec 2025	0.100	75,000,000	0.045	Nil	139%	0.30%	1,089,498
27 Nov 2020	27 Nov 2025	0.200	60,000,000	0.045	Nil	139%	0.30%	840,000
27 Nov 2020	27 Nov 2025	0.300	30,000,000	0.045	Nil	139%	0.30%	411,000
27 Nov 2020	27 Nov 2025	0.400	30,000,000	0.045	Nil	139%	0.30%	402,000
27 Nov 2020	27 Nov 2025	0.100	10,000,000	0.045	Nil	139%	0.30%	145,000
27 Nov 2020	27 Nov 2025	0.200	7,000,000	0.045	Nil	139%	0.30%	98,000
27 Nov 2020	27 Nov 2025	0.300	4,000,000	0.045	Nil	139%	0.30%	54,800
27 Nov 2020	27 Nov 2025	0.400	4,000,000	0.045	Nil	139%	0.30%	53,600
27 Nov 2020	27 Nov 2022	0.077	5,914,488	0.045	Nil	75%	0.50%	90,000
7 May 2021	10 Jun 2027	0.060	11,000,000	0.039	Nil	100%	0.70%	283,268
24 Dec 2021	17 Dec 2025	0.060	83,333,333*	0.033	Nil	104%	1.32%	1,666,667

* Subject to shareholder approval.

(c) Expenses arising from share-based payment transactions

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

	2022 $	**2021 $**
Expense from options granted in current year	**1,855,909**	1,561,679
Expense from options granted in prior year	**632,923**	13,307
Reversal of expense from options expired/forfeited in current year	**(194,148)**	(22,254)
Total	**2,294,684**	1,552,732

18. Leases

(a) Lease liabilities

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

	2022 $	2021 $
Current	**84,024**	54,224
Non-current	**167,157**	–
Total	**251,181**	54,224

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

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

Key terms of the main office lease are summarised below:

- A new three-year term was executed post 30 June 2021 and covers the period January 2022 to December 2024. The new negotiated terms of a 36-month extension include:
  - Change in lease payments to reflect current market rates
  - Cash free incentives
  - Change in annual increase %

Management has considered the above modifications of the current lease against AASB 16 Leases and deem the extension to reflect a separate lease contract, which will be recognised in the FY22 Annual Report.

- Option to purchase: No
- Variable payments linked to an index: No
- Termination option: No

The lease liability for the main office is secured by a long-term guarantee deposit. Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due						
	Within 1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	After 5 years $	Total $
Lease payments	6,114	105,751	119,802	60,931	–	–	–
Finance charges	(10,285)	(21,726)	(11,848)	(1,730)	–	–	–
Net preset values	–	84,025	107,954	59,201	–	–	251,180

(b) Lease payments not recognised as a liability

As at 30 June 2022, the Group was not committed to any other short-term leases, variable leases payments that were not recognised as a lease liability, or to any leases which had not yet commenced.

19. Business Combinations

(a) Summary of acquisition

On 26 October 2020, AD1 Holdings acquired 100% of the issued share capital and received effective control of Art of Mentoring.

Art of Mentoring is Australia's leading mentoring program provider that delivers best-in-class programs through an intuitive SaaS platform. Art of Mentoring operates a SaaS business focused on designing, implementing and providing mentoring services to organisations using a range of evidenced-based programs, expert consultants and software.

The acquisition is expected to provide significant benefits to the Group, including the addition of a diversified recurring revenue stream of approximately $1 million with excellent growth outlook and significant sales synergies with the Company's career-platform offering.

The acquisition of Art of Mentoring is initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the acts and circumstances that existed at acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	Fair value $
Purchase consideration	
Cash paid – Tranche 1	1,068,801
Ordinary shares issued – Tranche 1	500,558
Contingent consideration – Tranche 2	1,472,706
Contingent consideration – Tranche 3	1,500,000
Total purchase consideration	4,542,065

Contingent consideration is payable to Art of Mentoring across 2 tranches upon meeting specific performance milestones per the sale agreement.

The provisional fair values of the identifiable net assets acquired are detailed below:

	Fair value $
Purchase consideration (refer to (b) below):	
Assets	
Cash and cash equivalents	174,151
Trade debtors	122,816
Software – replacement cost	748,000
Other copyright materials	345,000
Customer contracts	531,000
Liabilities	
Contract liabilities	(415,924)
Provision for annual leave	(19,276)
Trade creditors	(67,094)
Net identifiable assets acquired	1,418,673
Add: goodwill*	2,758,052
Add: changes in fair value of contingent consideration	365,340
Acquisition-date fair value of the total consideration transferred	4,542,065

* Goodwill recognised is primarily attributable to the expected synergies and other benefits from combining the assets and activities of AoM with those of the Group's. The Group operates as one operating segment and goodwill was allocated to a single cash operating unit as at acquisition-date. The goodwill is not deductible for tax purposes.

(i) Revenue and profit contribution

The acquired business contributed operating revenues of $1,033,841 and net profit loss of $48,980 to the Group for the period from 27 October 2020 to 30 June 2021.

(b) Purchase consideration – cash inflow

	31 December 2020 $
Inflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(1,068,801)
Plus: Balances acquired	–
Cash	174,151
Net outflow of cash – investing activities	(894,650)

Acquisition-related costs

Acquisition-related costs of $156,978 attributable to the issue of shares are included in other expense and professional fees in the statement of profit or loss and other compressive income and in operating cash flows in the statement of cash flows.

20. Investments in controlled entities

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, it has share capital consisting solely of ordinary shares that is held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Principal place of business/ Country of Incorporation	Percentage Owned (%)* 2022	Percentage Owned (%)* 2021
Parent Entity			
AD1 Holdings Limited	Australia	**–**	–
Controlled entity			
Utility Software Services Pty Ltd	Australia	**100**	100
Art of Mentoring Holdings Pty Ltd	Australia	**100**	100
Art of Mentoring Pty Ltd	Australia	**100**	100
Art of Mentoring Inc.	USA	**100**	–

21. Key Management Personnel Remuneration

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

	2022 $	2021 $
Short-term employee benefits	**746,993**	440,519
Long-term employee benefits	**–**	12,146
Post-employment benefits	**208,602**	22,733
Share-based payments	**613,373**	1,514,445
	1,568,968	1,989,843

22. Related Party Transactions

The Group's related parties comprise of subsidiaries and key management personnel.

Disclosures relating to key management personnel are set out in the remuneration report. Transactions between the parent company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

Other transactions with related parties

The Group had the following transactions with Blue NRG, of which Michael Norster is a Director. Additional services were received from More Investment and Capital Heights, of which Nicholas Smedley is a Director.

	2022 $	2021 $
Revenue from contract with customer	**1,350,272**	1,740,854
Payment for electricity supplied	**4,692**	4,659
Receivables for services rendered	**–**	–
Payables for M&A and corporate advisory services	**56,625**	91,500
Payables for other services rendered	**–**	9,963
Total	**1,411,589**	1,846,976

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

23. Cash Flow Information

	2022 $	2021 $
Net loss for the year	**(2,666,229)**	(2,219,600)
Non-cash flows in profit:		
– amortisation	**608,350**	323,794
– depreciation	**108,068**	116,267
– share-based payments expense	**632,923**	1,484,982
– changes in fair value of contingent consideration	**365,340**	(75,226)
Changes in assets and liabilities:		
– (increase)/decrease in trade and other receivables	**(1,119,814)**	(1,102,214)
– increase/(decrease) in trade and other payables	**456,477**	1,127,092
– increase/(decrease) in provisions	**193,359**	177,700
– increase/(decrease) in other current liabilities	**291,043**	(87,536)
Cash flows from operations	**(1,130,483)**	(254,741)

24. Parent entity

(a) Summary financial information

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

Consolidated Statement of Financial Position	2022 $	2021 $
Assets		
Current assets	**4,429,872**	1,221,335
Total Assets	**13,056,880**	5,190,785
Liabilities		
Current liabilities	**1,568,968**	672,381
Total Liabilities	**5,972,240**	708,121
Equity		
Total Equity	**7,084,640**	4,482,664
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Loss after-income tax	**(2,196,014)**	(2,558,714)
Total comprehensive loss	**(2,196,014)**	(2,558,714)

(b) Determining the parent entity financial information

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

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

In addition to its own current and deferred tax amounts, AD1 Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

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

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

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

(c) Commitments and contingencies of the parent entity

The parent entity did not have any contingent liabilities or commitments as at 30 June 2022 (2021: nil).

25. Financial Risk Management

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

(a) Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

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

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

	Interest rate %	Fixed interest rate $	Floating interest rate $	Non-interest bearing $	Total $
2022					
Financial assets					
Cash at bank	**–**	**–**	**1,962,966**	**–**	**1,962,966**
Trade and other receivables	**–**	**–**	**–**	**2,993,101**	**2,993,101**
Other non-current assets	**0.25**	**85,001**	**–**	**–**	**85,001**
Financial liabilities					
Borrowings	**9.95**	**(3,333,333)**	**–**	**–**	**(3,333,333)**
Trade and other payables	**–**	**–**	**–**	**(2,155,116)**	**(2,155,116)**
Lease liabilities	**9.95**	**(251,181)**	**–**	**–**	**(251,181)**
Net position	**–**	**(3,584,514)**	**1,962,966**	**837,985**	**(698,562)**
2021					
Financial assets					
Cash at bank	–	–	523,434	–	523,434
Trade and other receivables	–	–	–	1,873,287	1,873,287
Other non-current assets	0.25	82,327	–	–	82,327
Financial liabilities					
Trade and other payables	–	–	–	(1,555,157)	(1,555,157)
Lease liabilities	13.95	(54,224)	–	–	(54,224)
Net position	–	28,103	523,434	318,130	869,667

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

	2022 $	2021 $
Market interest rates charged by ± 50 basis points	**± (831)**	± 141

(iii) Price risk

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

(b) Credit risk

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

	2022 $	2021 $
Cash at bank	**1,962,966**	523,434
Receivables	**2,993,101**	1,873,287
Maximum exposure to credit risk	**4,956,067**	2,396,721

(i) Credit risk management

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

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

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

(ii) Expected credit losses

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

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2022 and 30 June 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

On the above basis the expected credit loss for trade receivables as at 30 June 2022 was determined as follows (for the financial year ended 30 June 2021, the expected credit loss was immaterial):

	Current $	Trade receivables days past due: More than 30 days $	More than 60 days $	More than 90 days $	Total $
Expected credit loss rate	0%	0%	0%	0%	–
Gross carrying amount ($)					
Lifetime expected credit loss ($)					

The closing balance of the of the trade receivables loss allowance as at 30 June 2022 reconciles with the trade receivables loss allowance opening balance as follows:

	$
Loss allowance as at 30 June 2021	0
Loss allowance recognised during the year	0
Loss allowance as at 30 June 2022	**0**

(c) Liquidity risk

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

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

	Interest rate %	Less than 12 months $	1-5 years $	Total contractual cash flows $	Carrying amount of liabilities $
2022					
Financial liabilities					
Borrowings	**9.95**	**–**	**3,333,333**	**5,000,000**	**3,333,333**
Trade and other payables	**–**	**2,155,116**	**–**	**2,155,116**	**2,155,116**
Lease liabilities	**9.95**	**84,024**	**–**	**84,024**	**84,024**
	–	**2,239,140**	**3,333,333**	**7,239,140**	**5,572,473**
2021					
Financial liabilities					
Trade and other payables	–	1,555,157	–	1,555,157	1,555,157
Lease liabilities	13.95	54,224	–	54,224	54,224
	–	1,609,381	–	1,609,381	1,609,381

(d) Fair value hierarchy

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

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

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

26. Remuneration of auditors

This table below shows the total fees to the Group's external auditors, PKF, split between audit and non-audit services.

	2022 $	2021 $
Remuneration of Company's auditor, PKF, for:		
– audit of financial statements	**52,500**	46,200
– other services	**–**	–
	52,500	46,200

27. Other assets

	2022 $	2021 $
Non-current		
Bank guarantee	**85,001**	82,327
	85,001	82,327

28. Borrowings

	2022 $	2021 $
Non-current		
Secured liabilities:		
Convertible notes	**3,333,333**	–
	3,333,333	–
Total non-current borrowings	**3,333,333**	–

The Company entered into a 4-year secured loan facility agreement for $5 million at an interest rate of 9.95% per annum with 83,333,333 detached warrant shares which settled on 24 December 2021. The options were valued at $1,666,667.

The lender may elect at any time up to 17 December 2025, to convert all their warrant shares in tranches of 500,000 per conversion, at a rate of 1 share for every warrant share converted. The noteholder is not entitled to any additional payments on account for this conversion. If the noteholder does not convert all of their warrant shares during the exercise period then the balance of the debt facility will be repaid on the repayment date on 24 December 2025.

29. Contract Liabilities

	2022 $	2021 $
Current		
Unearned development revenue billed in advance	**843,058**	492,867
	843,058	492,867

30. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021:nil).

31. Events occurring after the reporting date

As announced on 30 August 2022 the Group intends to acquire 100% of Scout Talent Group. The acquisition is to be partially funded via a $25.0m capital raise, which will provide $6.5m of additional working capital post the cash consideration paid.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the consolidated financial statements and notes, as set out on pages 20 to 54, and the remuneration disclosures that are contained within the Remuneration Report within the Directors' report, set out on pages 8 to 18, are in with the *Corporations Act 2001* and:

   (a) In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;

   (b) In the directors' opinion the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1;

   (c) In the directors' opinion the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

   (d) The directors have been given the declaration required by s295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) *Corporations Act 2001*.

On behalf of the Directors

Brendan Kavenagh
Managing Director & CEO

Dated this 30 day of September 2022
Melbourne, Australia

PKF

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

Report on the Audit of the Financial Report

Our Opinion

We have audited the accompanying financial report of AD1 Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the Company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of AD1 Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Independence

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which identifies that the Group incurred a consolidated loss of $2,666,229, and operating cash outflows of $1,130,483 during the year ended 30 June 2022 and, as of that date, the Group's current liabilities exceeded its current assets by $76,970. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Matter and Significance	How our audit addressed the key audit matter
Revenue recognition The Group's operating revenue amounted to $5,986,390 during the financial year made up of the following revenue streams, namely: • SaaS and Managed Services • IT Development and Consulting Note 3(a) *Revenue Recognition* describes the accounting policies applicable to distinct revenue streams, noting that revenue is generated both from rendering of services over a period of time and from fees at a point in time. All revenue streams are recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to risks associated with revenue recognition and the various recognition points relative to the different revenue streams and performance obligations.	Our audit procedures included, but were not limited to, the following: • considering the appropriateness of management's assessment of revenue streams in accordance with the applicable accounting standard AASB 15; • evaluating a sample of major contracts secured during the financial year by agreeing revenue amounts to the records accumulated as inputs to the financial statements, including billing systems and bank records; • assessing the values recorded and the timing of revenue recognition as appropriate to the completion of performance obligations and the timeframe of delivery; • performing detailed analytical review procedures on the various revenue streams, including an assessment of revenue recorded against supporting documentation to ensure reasonableness of revenue recognition; • substantiating sales transactions in events of exceptions and/or anomalies to assess whether revenue is being recognised in accordance with the Group's revenue policies; • analytically reviewing deferred revenue balances at balance date to assess completeness and accuracy; and • assessing the adequacy of disclosures in the financial report for compliance with AASB 15.

PKF

Matter and Significance	How our audit addressed the key audit matter

Valuation of Goodwill and Other Intangible Assets
 	
As set out in Note 11 of the financial statements, as at 30 June 2022, the Group has intangible assets including goodwill of $9,108,821 (2021: $6,544,477).
 	
The accounting policy in respect of these assets is outlined in Note 3(h) *Intangible Assets*.
 	
An annual impairment test for goodwill is required under AASB 136 *Impairment of Assets.*
 	
The evaluation of the recoverable amount of the Cash Generating Unit (CGU) to which the intangibles are allocated requires the Group to exercise significant judgement in determining key assumptions, which include:
• Preparation of a 5-year cash flow forecast;
• Preparation of forecast profit margins and overheads;
• Determination of a growth rate and terminal growth factor;
• Determination of a discount rate; and
• Assumption of the useful life of intangible assets excluding goodwill
 	
The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets, including goodwill, is a Key Audit Matter.
	Our audit procedures included, but were not limited to, the following:
	• Assessing and challenging:
	  o the assumption that the CGUs identified are appropriate in the context of acquisitions and the goodwill and other intangible assets allocated to it;
	  o the reasonableness of the financial year 2023 budget approved by the Board by comparing it to actual results, trends, strategies and outlooks;
	  o the assumptions used for forecast profit margins and overheads;
	  o the assumptions used for the future growth rate and terminal growth rates in the forecast model; and
	  o the determination of the discount rate applied in the impairment model, comparing to available industry data.
	• Reviewing the mathematical accuracy of the cash flow models including
	  o agreeing the inputs in the cash flow model to the reviewed assumptions considered above; and
	  o reviewing the calculated terminal value.
	• Assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 11.

Other Information

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

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

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

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

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

PKF

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

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

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

Report on the Remuneration Report

Opinion

We have audited the remuneration report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of AD1 Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PKF	**Kenneth Weldin**
Melbourne, 30 September 2022	**Partner**

SHAREHOLDERS INFORMATION

As at 27 September 2022

A. Distribution of equity securities

Analysis numbers of ordinary shareholders by size of holding:

Holding	Securities	%	No. of holders	%
100,001 and over	685,424,421	97.82	373	42.73
10,001 to 100,000	14,563,801	2.08	364	41.70
5,001 to 10,000	668,124	0.10	73	8.36
1,001 to 5,000	72,036	0.01	25	2.86
1 to 1,000	2,910	0.00	38	4.35
	700,731,292	100.00	873	100.00
Unmarketable parcels	0	0.00	0	0.00

B. Equity security holders

Twenty largest quoted equity security holders

The Group's 20 largest equity securities holders of quoted equity securities are listed below:

Security holder	Ordinary shares held	% of total shares issued
POTENTATE INVESTMENTS PTY LTD	143,688,161	20.51%
MORE CAPITAL HOLDINGS PTY LTD	44,483,333	6.35%
GOLDEN POND INVESTMENTS PTY LTD	41,095,838	5.86%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,337,067	5.04%
MR CHRISTOPHER KUPERMAN	30,763,315	4.39%
DIXSON TRUST PTY LIMITED	18,676,196	2.67%
B F A PTY LTD	18,697,115	2.67%
MATTHEW NEWTON PTY LTD	13,835,046	1.97%
HAMPTON EAST DEVELOPMENT PTY LTD	9,922,779	1.42%
MORCKSTOW PTY LTD	9,092,000	1.30%
DOVETON KAY INVESTMENTS PTY LTD	7,277,776	1.04%
BLUEBELL LODGE PTY LTD	6,602,595	0.94%
MR MARK GREGORY KERR & MRS LINDA MARIE KERR	5,666,851	0.81%
GRAY FOAM SUPER FUND PTY LTD	5,000,000	0.71%
MR DOMENICO TONY AMATO	5,000,000	0.71%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,787,500	0.68%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,761,988	0.68%
INVIA CUSTODIAN PTY LIMITED	4750,000	0.68%
NAMEBLANK PTY LTD	4,731,760	0.68%
PRAGMATIC PTY LTD	4,663,641	0.67%
	418,832,961	59.77%

SHAREHOLDERS INFORMATION
(continued)

Substantial holders

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

Security holder	Number held	Percentage of issued shares (%)
POTENTATE INVESTMENTS PTY LTD	143,688,161	20.51
MORE CAPITAL HOLDINGS PTY LTD	44,483,333	6.35%
GOLDEN POND INVESTMENTS PTY LTD	41,095,838	5.86%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,337,067	5.04%

Restricted Securities

The Group's has the following securities placed in voluntary escrow as at the date of this report:

Security holder	Number held	Restriction date
Fully paid ordinary shares	24,916,943	12 August 2024
Fully paid ordinary shares	16,178,895	26 October 2022

Unquoted Securities

The Group's has the following securities placed in voluntary escrow as at the date of this report:

Security holder	Number held
Unquoted options with various exercise prices and expiry dates	243,089,492

C. Shareholder enquiries

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

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

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

Shareholders should contact the share registry to obtain details of the procedure required for any of these changes.

E. Annual Report

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

F. Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number of exemption details noted by the share registry.

G. CHESS (Clearing House Electronic Subregister System)

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

H. Uncertified share register

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

CORPORATE DIRECTORY

Directors

Mr Andrew Henderson Non-Executive Chairman

Mr Michael Norster Non-Executive Director

Mr Nicholas Smedley Non-Executive Director

Mr Brendan Kavenagh Managing Director & CEO
(appointed 7 July 2021)

Company Secretary

Justin Mouchacca

Registered office and principal place of business

Suite 102, 697 Burke Road
Hawthorn East VIC 3123
1300 554 842

Share and debenture register

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
+61 2 8280 7100

Auditor

PKF

Level 12, 440 Collins Street
Melbourne VIC 3000

Solicitors

Thomson Geer

Level 39, Rialto Towers
525 Collins Street
Melbourne VIC 3000

Websites

www.ad1holdings.com.au

www.utilitysoftwareservices.com

www.artofmentoring.net

www.applydirect.com.au