

hipages Group Pty Limited

ABN 12 345 678 901

Annual Report - 30 June 2020

hipages Group Pty Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of hipages Group Pty Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of hipages Group Pty Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Christopher Knoblanche (appointed Chair and Director on 16 March 2020)
Angela David (Alternate Director appointed 17 April 2019)
Timothy Robert Archer (Alternate Director appointed 21 March 2019)
David Vitek
Robert Sharon-Zipser
Ari Klinger
David Leslie
Emma Fawcett
Stacey Brown

Principal activities

The principal continuing activities of the consolidated entity is operating as an Australia-based online platform and Software as a Service provider for tradies that aims to connect them with their clients. The model is working towards efficiently resolving the difficulties that come with organising and coordinating home improvement and repairs. The core business of hipages is operating a marketplace that matches tradies with residential and commercial consumers. hipages is expanding to offer more extensive services on the platform to help tradies better manage their businesses, such as field service management software and other value-added services. The hipages platform is available and readily usable on both desktop and mobile devices.

Dividends

There were no dividends declared or paid during the financial year (2019: Nil).

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,914,000 (30 June 2019: \$14,148,000). Revenue from continuing operations during the financial year increased by 11% to \$45,646,000.

AASB 16 'Leases' had a significant impact on the current period. The current loss before income tax expense was reduced by \$605,000. This included an increased depreciation expense of \$2,336,000 and increased finance costs of \$1,457,000, offset by a reduction in other expenses (reclassification of lease expenses) of \$3,188,000. As at 30 June 2020 net assets were reduced by \$605,000 (attributable to right-of-use assets and lease liabilities).

Significant changes in the state of affairs

During the financial year, hipages divested and discontinued the following businesses:

- sold Natural Therapy Pages Pty Ltd and subsidiaries UK Pages Pty Ltd, Natural Therapy Pages Limited (UK registered company), NZ Pages Pty Ltd and Natural Therapy Pages Limited (NZ registered company) (together, "NTP"), on 31 May 2020. NTP is an online marketplace for natural health services;
- sold the intangible assets of Australian business directory, Start Local Pty Limited ("Start Local") on 22 June 2020; and;
- discontinued Pet Pages Pty Ltd ("Pet Pages"), an online marketplace for pet industry service providers and retailers.

In addition during the financial year, hipages acquired Ninety Nine Pty Ltd, the owner of Call of Service ("CoS"), a field service software solutions business, on 20 February 2020. Ninety Nine Pty Ltd is a SaaS business that offers field service management software to its customers. hipages acquired Ninety Nine Pty Ltd to enhance its product offering for tradespersons using the hipages platform.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

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Matters subsequent to the end of the financial year

Subsequent to year end, on 21 July 2020, the consolidated entity issued a Convertible Note to the value of \$3,000,000. The coupon on the note is 13.5% per annum paid monthly with a maturity of 21 January 2023. The notes will convert to equity on either an IPO or exit event. If these do not occur before the end of the term, the noteholder can choose to convert to equity or redeem the note. This same choice applies, if there is a capital raising of more than \$20m before the end of the term.

On 24 September 2020 the Board resolved to convert 11,536 Class B shares to Ordinary Shares. This conversion has been accommodated in the ESP and EOSP plans as applicable.

No other matters or circumstances have arisen since the end of the financial year 30 June 2020 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Christopher Knoblanche
Qualifications

Board Chair (Commenced 16 March 2020)

BComms; Member of Chartered Accountants of Australia and New Zealand (ACA), and Fellow of the Australian Society of CPAs (FCPA)

Experience

Chartered Accountant with extensive CEO, executive and financial markets experience, having served as managing director and head of Citigroup Corporate and Investment Banking (Australia and NZ), a partner in Caliburn (now Greenhill Investment Bank), CEO of Andersen Australia and Andersen Business Consulting – Asia

Listed Entity Directorships

Chairman and Non-Executive Director, iSelect Limited

Other Directorships

Hallmark Life Insurance Company Ltd
Environment Protection Authority of NSW
PM Capital Asian Opportunities Fund Limited
PM Capital Global Opportunities Fund Limited
Advisory & Capital Pty Limited

David Vitek
Qualifications

Co-Founder & Non-Executive Director

B. Eng

Experience

Co-founder and Non-Executive Director of hipages Group for over 15 years. Led development teams for IBM globally before founding the business in 2003. National Finalist E&Y Entrepreneur of the Year 2016.

Listed Entity Directorships

Nil

Other Directorships

Kidsbook Pty Limited
Sajo Hill Pty Ltd

Information on directors (continued)

Robert Sharon-Zipser	Co-Founder & Chief Executive Officer Member of Audit and Risk Committee Member of Remuneration and Nominations Committee
Qualifications	B. Comm CA GAICD
Experience	Co-Founder, Executive Director, and CEO of hipages Group for over 15 years. Prior to founding hipages, Robert held senior executive roles in the chartered accountancy industry before founding a boutique accounting firm. National Finalist E&Y Entrepreneur of the Year 2016.
Listed Entity Directorships	Nil
Other Directorships	RSZ Pty Ltd
Ari Klinger	Non-Executive Director Chairman of Remuneration and Nominations Committee
Qualifications	B. Arts
Experience	Non-Executive Director. Over 20 years experience in starting, scaling and selling technology related businesses. Partner at Right Click Capital, Sydney Seed Fund and Wavemaker Partners.
Listed Entity Directorships	Nil
Other Directorships	Chair of Mwave Non-Executive Director HotDoc
David Leslie	Non-Executive Director Member of the Audit and Risk Committee
Qualifications	B. Bus
Experience	Non-Executive Director. Over 20 years experience in technology and investment markets including his role as Investment Director at Ellerston Ventures Fund.
Listed Entity Directorships	Nil
Other Directorships	Non-Executive Director of Mable Non-Executive Director Ansarada Non-Executive Director of Camms Group
Emma Fawcett	Non-Executive Director Member of the Remuneration and Nominations Committee
Qualifications	B. Arch
Experience	Experienced managing director and commercial leader. Currently Managing Director, Commercial Product and Platforms at News Corp.
Listed Entity Directorships	Nil
Other Directorships	Nil

Information on directors (continued)

Stacey Brown **Non-Executive Director**
Chair of the Audit and Risk Committee

Qualifications B. Bus, CA, GAICD

Experience Non-Executive Director and experienced CEO with over 25 years experiences in large and small corporate environments. Has served as CFO of News Corp Australia and has extensive experience in financial management and leadership. Prior to News, held senior roles at a variety of corporations including the Lowy Family Group, Qantas and Multiplex and has previously been a director and chair of the audit committee for Qantas Superannuation, Foxtel and KU Children's Services.

Listed Entity Directorships Nil

Other Directorships Nil

Company secretary

Oonagh McElDowney (LLB, GAICD) has held the role of Company Secretary since 30 September 2019 (previously the role was held by Melissa Fahey the Chief Financial and Operating Officer). Oonagh is a senior commercial lawyer with over 20 years of experience across professional law firms and commercial businesses.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full board		Audit Committee		Remuneration and Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held
Chris Knoblanche	4	4	-	-	1	1
Ari Klinger	10	12	-	-	3	3
David Leslie	12	12	3	3	-	-
David Vitek	12	12	-	-	-	-
Emma Fawcett	10	12	-	-	3	3
Stacey Brown	8	12	3	3	-	-
Roby Sharon-Zipser	12	12	3	3	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

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30 June 2020

Shares under option

Unissued ordinary shares of hipages Group Pty Limited under option at the date of this report are as follows. No person entitled to exercise the performance rights had or has any right by virtue of the performance rights to participate in any share issue of the company or of any other body corporate.

ESP 3

Grant date	Expiry date	Price	Shares under option
1 July 2016	30 June 2025	\$171.35	5,464
1 July 2017	30 June 2025	\$243.43	2,362
1 July 2018	30 June 2025	\$171.35	1,738
1 July 2019	30 June 2025	\$171.35	1,972
			<u>11,536</u>

ESP 5

Grant date	Expiry date	Price	Shares under option
1 January 2020	1 January 2025	\$243.43	3,999
1 July 2020	1 July 2025	\$243.43	4,607
			<u>8,606</u>

Shares issued on the exercise of options

No ordinary shares of hipages Group Pty Limited were issued during the year ended 30 June 2020 as a result of a participant exercising an option they have been granted.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company 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 company 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.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

hipages Group Pty Limited
Directors' report
30 June 2020

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Chris Knoblanche', written over a horizontal line.

Chris Knoblanche
Director

20 October 2020
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of hipages Group Pty Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of hipages Group Pty Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M Valerio'.

Mark Valerio
Partner
PricewaterhouseCoopers

Sydney
20 October 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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hipages Group Pty Limited
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General information

The financial statements cover hipages Group Pty Limited as a consolidated entity consisting of hipages Group Pty Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is hipages Group Pty Limited's functional and presentation currency.

hipages Group Pty Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

hipages Group Pty Limited
Level 10, 255 Pitt Street
Sydney NSW 2000

Principal place of business

hipages Group Pty Limited
Level 10, 255 Pitt Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 October 2020. The directors have the power to amend and reissue the financial statements.

hipages Group Pty Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$'000	\$'000
Continuing operations			
Revenue from contracts with customers	3	45,646	41,165
Other income	4	1,481	1,096
Interest revenue calculated using the effective interest method		158	162
Expenses			
Employee benefits expenses		(13,830)	(14,526)
Marketing related expenses		(16,706)	(19,864)
Operations and administration expenses		(6,060)	(7,660)
Depreciation and amortisation expense	6	(9,000)	(9,022)
Employee share options expense	6	(1,485)	(384)
Impairment of receivables		(1,369)	(1,429)
Finance costs	6	(4,074)	(3,109)
Loss before income tax		(5,240)	(13,572)
Income tax expense	7	-	-
Loss from continuing operations		(5,240)	(13,572)
Loss from discontinued operations	5	(674)	(576)
Loss for the year		(5,914)	(14,148)
Loss for the year attributable to the owners of hipages Group Pty Limited		(5,914)	(14,148)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company		\$	\$
Basic earnings per share		(5.90)	(15.28)
Diluted earnings per share		(5.90)	(15.28)
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings per share		(6.66)	(15.93)
Diluted earnings per share		(6.66)	(15.93)
Other comprehensive income		\$'000	\$'000
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of Investments, net of tax		(1,069)	-
Other comprehensive loss for the year, net of tax		(1,069)	-
Total comprehensive loss for the year attributable to the owners of hipages Group Pty Limited		(6,983)	(14,148)

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

hipages Group Pty Limited
Consolidated Statement of financial position
As at 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	8,822	5,287
Funds on deposit	8	2,271	3,289
Trade and other receivables	9	1,426	1,623
Other current assets	10	1,086	6,057
Total current assets		13,605	16,256
Non-current assets			
Receivables	11	922	-
Financial assets at fair value through other comprehensive income	12	800	1,869
Property, plant and equipment	13	2,323	3,028
Right-of-use assets	14	6,979	10,124
Intangibles	15	10,726	9,912
Deferred tax	7	-	-
Total non-current assets		21,751	24,933
Total assets		35,355	41,189
Liabilities			
Current liabilities			
Trade and other payables	16	6,720	7,578
Contract liabilities	17	3,510	4,458
Borrowings	18	1,795	2,164
Lease liabilities	19	2,283	1,907
Employee benefits	20	1,547	1,360
Total current liabilities		15,855	17,468
Non-current liabilities			
Borrowings	18	12,118	8,855
Lease liabilities	19	7,384	9,666
Deferred tax	7	-	-
Employee benefits	21	311	263
Other liabilities	22	309	158
Total non-current liabilities		20,121	18,943
Total liabilities		35,976	36,410
Net (liabilities)/ assets		(620)	4,778
Equity			
Issued capital	23	48,087	47,986
Reserves	24	4,017	3,601
Accumulated losses	25	(52,724)	(46,809)
Total equity		(620)	4,778

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

hipages Group Pty Limited
Consolidated Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total equity \$'000
Balance at 1 July 2018	46,444	3,217	(32,661)	17,000
Loss after income tax expense for the year	-	-	(14,148)	(14,148)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(14,148)	(14,148)
<i>Transactions with owners in their capacity as owners:</i>				
Risk participation fee (note 23)	1,542	-	-	1,542
Share based payments expense (note 24)	-	384	-	384
Balance at 30 June 2019	47,986	3,601	(46,809)	4,778
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total equity \$'000
Balance at 1 July 2019	47,986	3,601	(46,809)	4,778
Loss after income tax expense for the year	-	-	(5,914)	(5,914)
Other comprehensive loss for the year, net of tax	-	(1,069)	-	(1,069)
Total comprehensive loss for the year	-	(1,069)	(5,914)	(6,983)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 34)	101	-	-	101
Share-based payments (note 24)	-	1,485	-	1,485
Balance at 30 June 2020	48,087	4,017	(52,724)	(620)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

hipages Group Pty Limited
Consolidated Statement of cash flows
For the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		52,168	48,002
Payments to suppliers and employees (inclusive of GST)		(40,449)	(46,394)
		11,719	1,608
Interest received		158	162
Interest and other finance costs paid		(1,805)	(1,138)
Net cash from operating activities	37	10,072	632
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(175)	-
Payments for property, plant and equipment		(191)	(265)
Proceeds from funds on deposit		1,018	750
Proceeds from sale of business		289	-
Acquisition of Intangible Assets		(6,666)	(5,954)
Net cash used in investing activities		(5,725)	(5,469)
Cash flows from financing activities			
Proceeds from borrowings		3,500	12,387
Repayment of borrowings		(1,443)	(2,920)
Repayment of principal portion of lease liabilities		(2,869)	(2,496)
Net cash (used) / from financing activities		(812)	6,971
Net increase in cash and cash equivalents		3,535	2,134
Cash and cash equivalents at the beginning of the financial year		5,287	3,153
Cash and cash equivalents at the end of the financial year	8	<u>8,822</u>	<u>5,287</u>
Cash flows of discontinued operation	5		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

hipages Group Pty Limited is referred to as the 'Company'. hipages Group Pty Limited and its subsidiaries together are also referred to below as the 'consolidated entity'.

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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

In previous financial reporting periods, the Company prepared General Purpose Financial Statements – Reduced Disclosure in accordance with AASB 1053. The Company has adopted General Purpose Financial Statements from 1 July 2019. In accordance with AASB 1 First-time Adoption of Australian Accounting Standards, the date of transition for the Company to General Purpose Financial Statements is 1 July 2018 (the beginning of the comparative period).

First time adoption has led to incremental disclosures being included throughout the financial report for comparative information. In addition, in order to comply with AASB 1 the Company has transitioned to AASB 16 Leases on 1 July 2018 (the beginning of the comparative period presented). There were no other material changes to the financial report on transition.

On transition to AASB 16 Leases, the Company has elected to measure its lease liability at the date of transition (1 July 2018) by measuring its lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at that date. The Company has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition on 1 July 2018.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of hipages as of 30 June 2020 and 30 June 2019 respectively and the results of all subsidiaries for the FY2019 and FY2020 financial years. hipages and its subsidiaries together are also referred to below as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 1. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Changes in ownership interests

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

AASB 15 Revenue from Contracts with Customers establishes a framework for revenue recognition. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer, either over time or at a point in time, depending on when performance obligations are satisfied. Under the previous accounting standard AASB 118 Revenue, revenue was recognised when the risks and rewards of ownership transferred to the customer.

Upon application of the AASB 15, the services provided by hipages is deemed to be two revenue streams:

- the right for customers to access potential leads / jobs; and
- the right to respond to these leads.

Consideration that is fixed or highly probable is included in the transaction price allocated to the performance obligation. The predominant billing structure for these performance obligations is either a bundled upfront fee, an upfront or ongoing subscription fee, or on a pay per lead fee.

The revenue from bundled upfront fees are allocated between the two performance obligations and recognised accordingly. The allocation is based on their stand-alone selling prices, and any discount is proportionately allocated.

Revenue for the right for customers to access potential leads is recognised over the subscription period agreed with the customer (which in most cases is 6 or 12 months). Revenue for the right to respond to leads is recognised at the time the leads are claimed.

The consolidated entity does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the consolidated entity does not adjust any of the transaction prices for the time value of money.

Interest

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

Note 1. Significant accounting policies (continued)

Interest revenue is included in the financial assets classed as Fair Value through Profit and Loss and in the net fair value gain/loss on these assets. Interest is also included in the lease receivable calculation for hipages's subleases.

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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. hipages and its subsidiaries are not part of any income tax consolidated group as described under AASB Interpretation 1052.

Current and non-current classification

Assets and liabilities are presented in the consolidated balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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. For the statement of cash flows presentation purposes, cash

Note 1. Significant accounting policies (continued)

and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the balance sheet.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. Trade and other receivables expected to be settled within 12 months of the balance sheet date are classified as current, otherwise they are classified as non-current.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Note 1. Significant accounting policies (continued)

The depreciation rate for each class of assets is:

- Equipment 25%
- Leasehold improvement 25% or over the lease term

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated comprehensive income statement. When revalued assets are sold, it is entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of financial year which are unpaid. The amounts are unsecured.

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

These balances are classified as non-current if the consolidated entity has the unconditional right to defer settlement for at least 12 months after the reporting period, otherwise they are classified as current.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Software

Software assets acquired as part of a business combination, are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Note 1. Significant accounting policies (continued)

Software

Software assets acquired as part of a business combination, are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

Impairment of non-financial assets

Goodwill and other 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 non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

For compound debt instrument with an embedded conversion to share option (where the conversion option results in no exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments), a financial liability relating to the cash settlement of the debt host is recognised and carried at amortised cost using the effective interest rate method. An embedded derivative liability relating to the conversion option is also separately recognised and measured at fair value.

Under AASB 9, the initial carrying amount of the debt host is the residual amount after separating the embedded derivative. The total fair value of the embedded derivative will be deducted from the fair value of the instrument as a whole. The debt host is subsequently measured at amortised cost using the effective interest rate method until extinguished on conversion or maturity of the bonds and the embedded derivative liability is subsequently measured at fair value with any gains or loss recognised through the profit and loss.

Embedded derivatives are valued using option pricing techniques, including the Black Scholes model. Given that, at the time of performing valuations, hipages' shares were unlisted, the resulting valuations are classified as level 3.

Where there is a modification of loan terms, AASB 9 requires that debt instruments with substantially different terms need to be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A debt instrument is substantially modified if the net present value of the cash flows under the new terms discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instruments.

The discounted present value of the remaining cash flows of the original debt instrument used in the 10% test must also be determined using the original effective interest rate so that there is a 'like for like' comparison.'

Leases

AASB 16 replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

hipages Group Pty Limited
Notes to the financial statements
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Note 1. Significant accounting policies (continued)

Impact of adoption

In accordance with AASB 1, AASB 16 has been reflected in the financial statements from 1 July 2018. The impact of adoption on opening retained profits as at 1 July 2018 was as follows:

	1 July 2018 \$'000
Operating lease commitments as at 1 July 2018 (AASB 117)	17,947
Operating lease commitments discounted amount based on the weighted average incremental borrowing rate of 11.94% (AASB 16)	13,153
Removal of Lease accrual as of 1 July 2018 (AASB 16)	(181)
Removal of fit out incentive (AASB 16)	(512)
Right-of-use assets (AASB 16)	<u>12,460</u>
Lease liabilities - current (AASB 16)	(2,875)
Lease liabilities - non-current (AASB 16)	<u>(9,585)</u>
Reduction in opening retained profits as at 1 July 2018	<u><u>-</u></u>

When adopting AASB 16 from 1 July 2018, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as of 1 July 2018 as short-term leases. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease;
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are increased to reflect interest on the lease liability. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option, termination penalties, modifications, and revised in-substance fixed lease payments.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

hipages determines the lease term as the non-cancellable period of the lease, together with:

- a) periods covered by an option to extend the lease if it is reasonably certain hipages will exercise that option; and
- b) periods covered by an option to terminate the lease if it is reasonably certain that hipages will not exercise that option.

Sublease

hipages acts an intermediate lessor on several subleases. These subleases are classified as a finance lease or operating leases as follows:

- a) if the head lease is a short-term lease, and hipages has applied the short-term recognition exemption, then the sublease is classified as an operating lease;
- b) otherwise, the sublease is classified by reference to the right-of-use asset arising from head lease.

Note 1. Significant accounting policies (continued)

If the sublease is classified as an operating lease, hipages continues to account for the lease liability and right-of-use asset on the head lease like any other lease. If the sublease lease is classified as a finance lease, hipages derecognised the right-of-use asset on the head lease at the sublease commencement date and accounted for the original lease liability in accordance with the lessee accounting model. hipages recognised a net investment in the sublease and will evaluate it for impairment.

Right-of-use assets

hipages recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoring costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when hipages has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best

Note 1. Significant accounting policies (continued)

estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the consolidated entity.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 1. Significant accounting policies (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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

Operating Segment

Hipages's chief operating decision maker, consisting of the Chief Executive Officer and the Chief Financial & Operations Officer, examine hipages's performance from a service perspective and have identified one reportable segment for its business which is:

- a) On-demand home improvement tradesperson platform: this online subscription platform allows the provisioning of a two-sided online marketplace which enables consumers to connect with trade service providers with a focus on home improvement projects.

The key strategic managers primarily use a measure of EBITDA, operating cashflows, and revenue to assess the performance of the operating segment.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

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

Note 2. Significant accounting judgements, estimates and assumptions

The preparation of the hipages consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

- a) Lead credits and lead utilisation – Lead credit is an advance payment made by the customer to hipages for leads to which they choose to respond. Once the lead credit is utilised, the customer is charged a fee per lead. Management used the historical rate of lead credit utilisation to estimate: a) the future lead credit usage and; b) timing of usage, in order to assess the impact to its revenue recognition resulting from its new product offering.
- b) Valuation of the convertible note – under the guidelines of AASB 132, this compound financial liability is separated into its two components; a) the debt host and; b) the embedded derivative liability. When valuing the embedded derivative, management made assumptions on the inputs underlying the embedded derivatives using the Black Scholes method including the volatility rate and option value.
- c) Estimation of deferred consideration on divested businesses – The Natural Therapy Pages Pty Ltd business was divested during FY20. The deferred consideration receivable/payable is based on the calculation of the 31 May 2020 adjusted net working capital.
- d) Capitalisation of internally generated software – Management bases the capitalisation rate on its best estimate of employee time spent working on the development online platforms and other key projects.
- e) Estimation of useful lives of assets – the key estimate for useful lives relates to internally developed software. Given the constant need to update the software platform and the constant changes in technology, Management amortises capitalised internally developed software over a relatively short period of three years.
- f) Going Concern – As at 30 June 2020, the consolidated entity has net liabilities of \$620,000 (2019: Net Assets: \$4,778,000) and a working capital deficiency of \$2,250,000 (2019: \$1,212,000) mainly as a result of lease liabilities recognised as part of the adoption of AASB 16 Leases as at 1 July 2018. The consolidated entity has significantly reduced the operating loss after income tax of \$5,914,000 (2019: \$14,148,000) and improved the operating cash inflow of \$10,072,000 (2019: operating cash inflow \$632,000) during the financial year ending 30 June 2020 as a result of the following:
 - significant revenue growth achieved by continued shift from transactional revenue products to a recurring subscription based revenue model; and
 - significant cost savings achieved from a transformation change project that was implemented in the second half of the 30 June 2019 financial and completed by 30 June 2020.

Subsequent to year end the consolidated entity has a positive net asset and positive net working capital position following the issuance of a convertible note of \$3,000,000 with a maturity of 21 January 2023. The \$3,000,000 cash proceeds were fully received as at 31 August 2020.

Management are forecasting continued improvements in the performance of the business and the financial position and cash flow profile of the consolidated entity. As a result of these matters, the Directors are confident that the consolidated entity will be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the Directors have prepared the financial report on a going concern basis.

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Notes to the financial statements
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Note 3. Revenue

	Consolidated	
	2020	2019
	\$'000	\$'000
Revenue from contracts with customers		
Rendering of services	45,646	41,165

Operating Segment

hipages' chief operating decision makers, consisting of the Chief Executive Officer and the Chief Financial & Operations Officer, examine hipages' performance from a service of operations perspective and have identified one reportable segment for its business which is:

On-demand home improvement tradesperson platform: this online subscription platform and software as a service provider allows the provisioning of a two-sided online marketplace which enables consumers to connect with trade service providers with a focus on home improvement projects. The platform also provides extensive services to help trade service providers better manage their businesses.

The key strategic managers primarily use a measure of EBITDA (Earnings before interest, tax, depreciation, and amortisation), operating cashflows, and revenue to assess the performance of the operating segment.

EBITDA reconciles to operating loss before income tax as follows:

EBITDA	7,676	(1,603)
Interest revenue	158	162
Finance costs	(4,074)	(3,109)
Depreciation and amortisation expense	(9,000)	(9,022)
Loss before income tax from continuing operations	(5,240)	(13,572)

Note 4. Other Income

	Consolidated	
	2020	2019
	\$'000	\$'000
Rent received	1,293	1,096
Fair value changes on embedded derivatives	187	-
Total Other Income	1,481	1,096

Note 5. Discontinued operations

(a) Description

During FY2020, hipages divested and discontinued the following businesses:

- sold Natural Therapy Pages Pty Ltd and subsidiaries UK Pages Pty Ltd, Natural Therapy Pages Limited (UK registered company), NZ Pages Pty Ltd and Natural Therapy Pages Limited (NZ registered company) (together, "NTP"), on 31 May 2020. NTP is an online marketplace for natural health services;
- sold the intangible assets of Australian business directory, Start Local Pty Limited ("Start Local") on 22 June 2020; and
- discontinued Pet Pages Pty Ltd ("Pet Pages"), an online marketplace for pet industry service providers and retailers.

hipages Group Pty Limited
Notes to the financial statements
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Note 5. Discontinued operations (continued)

(b) Financial performance and cash flow information

The financial performance and cash flow information is for the years ended 30 June 2020 and 30 June 2019.

	Consolidated	
	2020	2019
	\$'000	\$'000
Revenue	1,835	2,483
Other income	-	163
Expenses	(3,056)	(3,222)
Loss before income tax	(1,221)	(576)
Income tax expense	-	-
Loss after income tax of discontinued operations	(1,221)	(576)
Gain on sale of divested businesses before income tax	547	-
Income tax expense	-	-
Gain on sale of divested businesses after income tax	547	-
Loss from discontinued operations	(674)	(576)
Net cash outflow from operating activities	(2,023)	(1,359)
Net cash inflow from investing activities	289	-
Net decrease in cash generated by divested and discontinued operations	(1,734)	(1,359)

(c) Details of the sale of the subsidiaries

	Consolidated	
	2020	2019
	\$'000	\$'000
Consideration received or receivable:		
Cash	289	-
Fair value of deferred consideration	499	-
Total disposal consideration	788	-
Carrying amount of net assets sold	(242)	-
Gain on sale of divested businesses before income tax	547	-
Income tax expense	-	-
Gain on sale of divested businesses after income tax	547	-

hipages Group Pty Limited
Notes to the financial statements
30 June 2020

Note 6. Expenses

	Consolidated	
	2020	2019
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	528	504
Equipment	355	536
Buildings right-of-use assets	2,114	2,336
Total depreciation	2,997	3,376
<i>Amortisation</i>		
Capitalised development cost	6,003	5,646
Total amortisation	6,003	5,646
Total depreciation and amortisation	9,000	9,022
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,824	1,652
Interest and finance charges paid/payable on lease liabilities	1,250	1,457
Finance costs expensed	4,074	3,109
<i>Leases</i>		
Minimum lease payments	-	-
Low-value asset lease payments	46	64
	46	64
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,472	1,624
<i>Share-based payments expense</i>		
Share-based payments expense	1,485	384

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Note 7. Tax

	Consolidated	
	2020	2019
	\$'000	\$'000
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	-	-
Deferred tax included in income tax expense comprises:		
(Decrease)/Increase in deferred tax assets	(1,595)	91
Increase/(decrease) in deferred tax liabilities	1,595	(91)
Deferred tax - origination and reversal of temporary differences	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss from continuing operations before income tax expense	(5,240)	(13,572)
Loss from discontinued operations before income tax expense	(674)	(576)
Loss before income tax expense	(5,914)	(14,148)
Tax at the statutory tax rate of 30%	(1,774)	(4,244)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	446	115
Employee share scheme contributions	-	(71)
Entertainment expenses	-	21
Current year tax loss not recognised	828	4,106
Brought forward tax loss benefit derecognised/ (recognised)	699	(24)
Interest expense on convertible note	238	-
Fair value gain on remeasurement of convertible note	(62)	-
Transaction costs for the sale of divested businesses	14	-
Net capital gain on the sale of divested businesses	159	-
Net accounting gain on the sale of divested businesses	(152)	-
Amortisation expense on business acquisition intangible asset	26	-
Adjustment recognised for prior periods	(422)	97
Income tax expense	-	-

	Consolidated	
	2020	2019
	\$'000	\$'000
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	28,674	27,787
Potential tax benefit @ 30%	8,602	8,336

	Consolidated	
	2020	2019
	\$'000	\$'000
Research and Development tax incentive		
Unused R&D incentive for which no deferred tax asset has been recognised	12,084	12,408
Potential tax benefit @ 38.5%	4,652	4,777

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Note 7. Tax (continued)

	Consolidated	
	2020	2019
	\$'000	\$'000
Deferred Tax		
The balance comprises temporary differences attributable to:		
Employee benefits	526	487
Capital raising costs	148	255
Doubtful debts	154	163
Accrued expenses	96	322
Leasehold assets	277	-
Tax losses recognised	779	1,331
AASB 16 Lease liabilities	2,900	3,219
Total deferred tax assets	4,881	5,776
Intangible assets	(2,528)	(2,739)
AASB 16 Right of Use Asset	(2,353)	(3,037)
Total deferred tax liabilities	(4,881)	(5,776)
Net Deferred Tax	-	-

Note 8. Current assets - cash and cash equivalents and funds on deposit

	Consolidated	
	2020	2019
	\$'000	\$'000
Cash at bank	8,822	5,287
Total Cash and cash equivalents	8,822	5,287
Funds on deposit	-	1,018
Committed Cash (Bank guarantees)	2,271	2,271
Total funds on deposit	2,271	3,289

Funds on deposit in 2020 and 2019 have a maturity date between 30-90 days from the date of deposit. Committed cash represents term deposits held as bank guarantees for the lease of the Company's Sydney office premises.

Reconciliation to cash and cash equivalents at the end of the financial year.

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	8,822	5,287
Balance as per statement of cash flows	8,822	5,287

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Note 9. Current assets - trade and other receivables

	Consolidated	
	2020	2019
	\$'000	\$'000
Trade receivables	1,863	2,026
Less: Allowance for expected credit losses	(513)	(542)
	<u>1,350</u>	<u>1,484</u>
Other receivables	76	139
	<u>1,426</u>	<u>1,623</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	2.5%	3.3%	792	796	20	26
Over 30 days past due	20.1%	16.0%	167	280	33	45
Over 60 days past due	22.0%	27.0%	176	191	39	52
Over 90 days past due	57.9%	55.3%	728	759	421	419
			<u>1,863</u>	<u>2,026</u>	<u>513</u>	<u>542</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020	2019
	\$'000	\$'000
Opening balance	542	582
Additional provisions recognised/(derecognised)	-	(40)
Reduction of provision for divested businesses	(29)	-
Closing balance	<u>513</u>	<u>542</u>

The consolidated entity has recognised a loss of \$1,369,000 in profit or loss in respect of bad debts written off for the year ended 30 June 2020 (FY19: \$1,429,000).

Note 10. Current assets – other current assets

	Consolidated	
	2020	2019
	\$'000	\$'000
Deposits and Prepayments	421	3,132
Lease receivable	255	-
Deferred consideration	187	-
Other assets	223	2,925
	<u>1,086</u>	<u>6,057</u>

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Note 11. Non-current assets - receivables

	Consolidated	
	2020	2019
	\$'000	\$'000
Lease receivable	609	-
Deferred consideration	313	-
	<u>922</u>	<u>-</u>

The deferred consideration receivables are due to be repaid by 31 December 2023 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

Note 12. Non-current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	2020	2019
	\$'000	\$'000
Unlisted securities	<u>800</u>	<u>1,869</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	1,869	1,869
Additions	-	-
Disposals	-	-
Revaluation	(1,069)	-
Closing fair value	<u>800</u>	<u>1,869</u>

Refer to note 27 for further information on fair value measurement.

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2020	2019
	\$'000	\$'000
Leasehold improvements - at cost	3,132	3,305
Less: Accumulated depreciation	(1,323)	(992)
	<u>1,809</u>	<u>2,313</u>
Equipment - at cost	2,836	2,744
Less: Accumulated depreciation	(2,322)	(2,029)
	<u>514</u>	<u>715</u>
	<u>2,323</u>	<u>3,028</u>

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Note 13. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2018	1,118	2,685	3,803
Additions	133	132	265
Depreciation expense	(536)	(504)	(1,040)
Balance at 30 June 2019	715	2,313	3,028
Additions	154	24	178
Depreciation expense	(355)	(528)	(883)
Balance at 30 June 2020	514	1,809	2,323

Note 14. Non-current assets - right-of-use assets

	Consolidated	
	2020	2019
	\$'000	\$'000
Buildings - right-of-use	11,430	12,460
Less: Accumulated depreciation	(4,450)	(2,336)
	<u>6,979</u>	<u>10,124</u>

There were no additions to the right-of-use asset during the year. Refer to Note 1 for the accounting for the right of use at inception.

The consolidated entity leases office space under a lease agreement which has approximately 3.5 years remaining with options to extend.

For impairment testing, the right-of-use asset (relating to the office lease) have been allocated to the Group's only cash-generating unit. Refer to note 15 for further information on the impairment testing key assumptions and sensitivity analysis.

Note 15. Non-current assets - intangibles

	Consolidated	
	2020	2019
	\$'000	\$'000
Goodwill	785	785
Capitalised Development - at cost	37,087	30,270
Less: Accumulated amortisation	(27,146)	(21,143)
	<u>9,941</u>	<u>9,127</u>
	<u>10,726</u>	<u>9,912</u>

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Note 15. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$'000	Capitalised Development \$'000	Total \$'000
Balance at 1 July 2018	782	8,822	9,604
Additions	3	5,951	5,954
Amortisation expense	-	(5,646)	(5,646)
Balance at 30 June 2019	785	9,127	9,912
Additions	-	6,666	6,666
Additions from business combination	-	628	628
Disposals	-	(476)	(476)
Amortisation expense	-	(6,003)	(6,003)
Balance at 30 June 2020	<u>785</u>	<u>9,941</u>	<u>10,726</u>

Impairment testing

Goodwill acquired through business combinations have been allocated to the Group's only cash-generating unit (CGU):

	Consolidated	
	2020 \$'000	2019 \$'000
Online Tradesperson platform	<u>785</u>	<u>785</u>
	<u>785</u>	<u>785</u>

During the 30 June 2020 financial year, the recoverable amount of the consolidated entity's goodwill has been determined by using the fair value less costs of disposal approach.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used for the hipages online platform CGU:

- Pricing Enterprise Value / Revenue multiple (2019: 18%): 5.3
- Forecasted FY2021 normalised revenue: \$53,069,000

There were no other key assumptions for this Online Tradesperson Platform CGU.

Based on the assessment performed, no impairment charge is considered necessary for the 30 June 2020 financial year.

During the 30 June 2019 financial year, the value in use approach was used for impairment testing. The key assumptions were:

- Discount rate: 12%
- Average Growth rate of revenue: FY2020-FY2023: 17%
- Growth rate used for the terminal value calculation: 2.59%

The discount rate used by management represented management's best estimate of what the company's pre-tax weighted average cost of capital was at that time. Management utilised projected cashflows over a four-year period which were based on the Company's approved budget.

Management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

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Note 16. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$'000	\$'000
Trade payables	3,565	5,772
GST payables	1,509	714
Payroll accruals	166	278
Other payables	1,480	814
	<u>6,720</u>	<u>7,578</u>

Refer to note 27 for further information on financial instruments.

Note 17. Current liabilities - contract liabilities

	Consolidated	
	2020	2019
	\$'000	\$'000
Contract liabilities	3,510	4,458

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$3,510,000 as at 30 June 2020 (\$4,458,000 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2020	2019
	\$'000	\$'000
Within 12 months	3,510	4,458

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Note 18. Borrowings

	Consolidated	
	2020	2019
	\$'000	\$'000
Current borrowings		
Loan facility from Marshall Investments Finance Pty Limited	1,692	1,925
Finance leases	103	239
	<u>1,795</u>	<u>2,164</u>
Non- Current borrowings		
Loan facility from Marshall Investments Finance Pty Limited	8,480	8,855
Convertible note- Debt host	2,218	-
Convertible note- Embedded derivative	1,417	-
Finance leases	3	-
	<u>12,118</u>	<u>8,855</u>
Total secured borrowings (current and non-current)	<u>13,913</u>	<u>11,019</u>

Assets pledged as security

The loan facility from Marshall Investments Pty Limited and the Convertible note are secured by first mortgages over the consolidated entity's assets.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2020	2019
	\$'000	\$'000
Total facilities		
Loan facility from Marshall Investments Finance Pty Limited	12,500	12,500
Convertible note	3,500	-
	<u>16,000</u>	<u>12,500</u>
Used at the reporting date		
Loan facility from Marshall Investments Finance Pty Limited	12,500	12,500
Convertible note	3,500	-
	<u>16,000</u>	<u>12,500</u>
Unused at the reporting date		
Loan facility from Marshall Investments Finance Pty Limited	-	-
Convertible note	-	-
	<u>-</u>	<u>-</u>

In October 2018 the consolidated entity entered into a secured loan facility with Marshall Investments Finance Pty Limited. The principal amount of the loan was \$12,500,000. As part of this facility, there is a risk participation fee that is payable to Marshall's on repayment of the facility, or an IPO/Trade sale, which occurs first. This can be settled in shares or cash, at the consolidated entity's discretion. The risk participation fee is 1% of the total shares on issue and the amount of \$1,542,030 was recognized in equity as at 30 June 2019. The term of the loan is three years with the option to extend for a further 12 months. Interest is 11% per annum and is payable monthly.

The Convertible note was issued in September 2019 with a face value of \$3,500,000. The coupon on the note is 13.5% per annum and is paid monthly. The term of the note is three years. The notes will convert to equity on either an IPO or exit event. If these do not occur before the end of the three years, the noteholder can choose to convert to equity or redeem the note. This same choice applies, if there is a capital raising of more than \$20 million before the end of the term.

Refer to note 27 for further information on financial instruments.

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Note 19. Lease liabilities

Consolidated	
2020	2019
\$'000	\$'000
Current Lease liability	2,283
Non-current Lease liability	9,666
	11,574

Refer to note 27 for further information on financial instruments.

Note 20. Current liabilities - employee benefits

Consolidated	
2020	2019
\$'000	\$'000
Superannuation	355
Annual leave	991
Long service leave	201
	1,547

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits 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 amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement.

Note 21. Non-current liabilities - employee benefits

Consolidated	
2020	2019
\$'000	\$'000
Employee benefits	311
	263

Note 22. Non-current liabilities – other liabilities

Consolidated	
2020	2019
\$'000	\$'000
PAYG	-
GST	45
Deferred consideration payable	113
	-
	309
	158

Note 23. Equity - issued capital

	Consolidated			
	2020	2019	2020	2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	888,809	888,394	48,087	47,986
Class B Shares - fully paid	11,536	11,536	-	-

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Note 23. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2018	888,394		46,444
Risk Participation fee*	1 October 2018	-	-	1,542
Balance	30 June 2019	888,394		47,986
Issue of shares as part of the Call of Service acquisition	20 February 2020	415	\$243.43	101
Balance	30 June 2020	<u>888,809</u>		<u>48,087</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*As part of the debt facility with Marshall Investments Finance Pty Limited, a risk participation fee of 1% of total shares on issue was recognised in equity. These shares have not yet been issued, and the Group retains the right to settle this fee in shares or cash.

Movements in Class B Shares

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2018	<u>11,536</u>		-
Balance	30 June 2019	<u>11,536</u>		-
Balance	30 June 2020	<u>11,536</u>		-

Class B Shares do not entitle the holder to participate in dividends and the proceeds of winding up and are non-voting shares. These Class B shares can be converted to Ordinary Shares in the Company in accordance with the terms and conditions of the ESP.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

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Note 24. Equity - reserves

	Consolidated	
	2020	2019
	\$'000	\$'000
Share based payments reserve	5,086	3,601
Financial assets at fair value through other comprehensive income reserve	(1,069)	-
	<u>4,017</u>	<u>3,601</u>

Share based payments reserve

The reserve is used to recognise the fair value of share options and shares issued to employees and Directors of the Company.

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payments reserve \$'000	Financial assets at fair value through OCI \$'000	Total \$'000
Balance at 1 July 2018	3,217	-	3,217
Revaluation - gross	-	-	-
Share based payments expense	384	-	384
Balance at 30 June 2019	3,601	-	3,601
Revaluation - gross	-	(1,069)	(1,069)
Share based payments expense	1,485	-	1,485
Balance at 30 June 2020	<u>5,086</u>	<u>(1,069)</u>	<u>4,017</u>

Note 25. Equity – Accumulated losses

	Consolidated	
	2020	2019
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(46,809)	(32,661)
Loss after income tax expense for the year	(5,914)	(14,148)
Accumulated losses at the end of the financial year	<u>(52,724)</u>	<u>(46,809)</u>

Note 26. Equity - dividends

There were no dividends declared or paid during the financial year.

Note 27. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The majority of the consolidated entity's transactions are carried out in Australian dollars. The consolidated entity currently receives less than 1% of its revenue (2019: less than 1%) from other countries than Australia which include the UK and New Zealand. The consolidated entity's main contracts are on fixed rates in Australian dollars and hence are not exposed to foreign exchange fluctuations during the contracted term. Given the immaterial size of this exposure the consolidated entity currently does not hedge its foreign exchange risk exposure, but reviews this position on a regular basis.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity has borrowings from Marshall Investment Finance Pty Limited and a Convertible note. These borrowings have a fixed rate charge of 11% and 13.5% respectively as per the respective loan agreements. Hence, an interest rate movement would not affect the profit before tax.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. The expected credit losses to trade receivables have been disclosed in note 9.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and ensuring timely collection of trade and other receivables.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Note 27. Financial instruments (continued)

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	7,029	-	-	-	7,029
Lease liabilities	-	3,284	3,415	5,055	-	11,754
<i>Interest-bearing - fixed rate</i>						
Marshall Investments Finance Pty Limited	11%	2,873	3,416	7,391	-	13,680
Convertible Note – Debt Host	13.5%	473	473	4,494	-	5,440
Total non-derivatives		13,659	7,304	16,940	-	37,903
Consolidated - 2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	7,737	-	-	-	7,737
Lease liabilities	-	3,157	3,284	8,470	-	14,911
<i>Interest-bearing - fixed rate</i>						
Marshall Investments Finance Pty Limited	11%	957	2,873	10,807	-	14,637
Total non-derivatives		11,851	6,157	19,277	-	37,285

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments approximate their fair value. For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to the current market rates.

Hedge accounting

The consolidated entity has not implemented hedging during the previous and current financial years.

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Note 28. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2020				
<i>Assets</i>				
Financial assets at fair value through OCI (Unlisted securities)	-	-	800	800
Total assets	-	-	800	800
<i>Liabilities</i>				
Convertible note – Embedded derivative	-	-	1,417	1,417
Total liabilities	-	-	1,417	1,417
Consolidated - 2019				
<i>Assets</i>				
Financial assets at fair value through OCI (Unlisted securities)	-	-	1,869	1,869
Total assets	-	-	1,869	1,869
<i>Liabilities</i>				
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unlisted/Unquoted security investments have been valued using available external valuations of the business and then applying an illiquidity discount as part of management's assumptions and judgements.

The embedded derivative component of the convertible note derivative liability has been fair valued based on the Company's most recent share price valuation.

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Note 28. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Financial Assets at fair value through OCI \$'000	Convertible Note \$'000	Total \$'000
Balance at 1 July 2018	1,869	-	1,869
Gains recognised in profit or loss	-	-	-
Gains recognised in other comprehensive income	-	-	-
Balance at 30 June 2019	1,869	-	1,869
Addition		(3,500)	(3,500)
Losses recognised in profit or loss	-	(135)	(135)
Loss recognised in other comprehensive income	(1,069)	-	(1,069)
Balance at 30 June 2020	<u>800</u>	<u>(3,635)</u>	<u>(2,835)</u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range	Sensitivity
Financial Assets at fair value through other comprehensive income	Revenue and revenue multiple	Valuation of business between \$1.2m to \$1.5m prior to 40% illiquidity discount	Would increase/decrease fair value of investment by +/- \$0.1 million.
Convertible note – embedded derivative	Share price	+/- 10%	Would increase/decrease fair value of liability by +/- \$0.1 million

Note 29. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020 \$000	2019 \$000
Short-term employee benefits	1,091	1,098
Post-employment benefits	55	82
Long-term benefits	11	77
Termination benefit	-	495
Share-based payments	297	147
Interest paid on the Convertible Note	<u>56</u>	<u>-</u>
	<u>1,510</u>	<u>1,899</u>

The total face value of convertible note loans issued to directors and other members of the key management personnel to the consolidated entity as at 30 June 2020 is \$515,000 (2019: Nil).

hipages Group Pty Limited
Notes to the financial statements
30 June 2020

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2020	2019
	\$000	\$000
<i>Audit services – PwC Sydney</i>		
Audit of the financial statements	160	88
<i>Other services – PwC Sydney</i>		
Taxation services	-	1
Employment services	-	11
	-	12
	160	100

Note 31. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2020 of \$2,271,000 (2019: \$2,271,000) to its landlord in relation to the lease of its office premises. These guarantees give rise to liabilities in the consolidated entity if it does not meet its obligations under the terms of the leases.

Note 32. Related party transactions

Parent entity

hipages Group Pty Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Provision of services to related parties (Shareholder-News Corp)	-	5,018
Services received from related parties (Shareholder- News Corp)	2,751,800	4,208,268

The Company engaged Elephant Room, a related party to Robert Sharon-Zipser, for website hosting with an annual cost of approximately \$2,000.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Balance of prepaid advertising services to be received from related parties (Shareholder-News Corp)	-	2,751,800
---	---	-----------

Loans to/from related parties

Apart from the related party loans disclosed in Note 29 Key Management Personnel, there were no other loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

hipages Group Pty Limited
Notes to the financial statements
30 June 2020

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$'000	\$'000
Loss after income tax	(1,156)	(22,854)
Total comprehensive loss	(2,225)	(22,854)

Statement of financial position

	Parent	
	2020	2019
	\$'000	\$'000
Total current assets	16,102	14,500
Total assets	37,607	39,433
Total current liabilities	9,159	10,984
Total liabilities	29,280	30,461
Net Assets	8,327	8,972
Equity		
Issued capital	48,087	47,986
Reserves	4,010	3,601
Accumulated losses	(43,770)	(42,614)
Total equity	8,327	8,972

Contingent liabilities

The parent entity has given bank guarantees as at 30 June 2020 of \$2,271,000 (2019: \$2,271,000) to its landlord in relation to the lease of its office premises. These guarantees give rise to liabilities in the parent entity if it does not meet its obligations under the terms of the leases. The parent entity has no other contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 34. Business combination

On 20 February 2020 hipages Group Pty Ltd acquired 100% of the ordinary shares of Ninety Nine Pty Ltd (trading as Call of Service) for the total consideration of \$700,000 split evenly between cash and equity shares in Hipages Group Pty Ltd. This consideration will be paid in 3 Tranches, the first of which was paid on 20 Feb 2020 (\$175,000 cash, \$101,000 worth of hipages Group Pty Ltd ordinary shares (415 shares at \$243.43 a share). The remaining consideration will be paid over the remaining two Tranches if key milestones are met by the original owners. The present value of the deferred consideration is \$356,000. Ninety Nine Pty Ltd is a SaaS business that offers field service management software to its customers. The Group acquired Ninety Nine Pty Ltd to increase its product offering for tradespersons using the hipages's platform.

The acquired business contributed revenues of \$17,000 and profit after tax of \$nil to the consolidated entity for the period from 20 February 2020 to 30 June 2020. If the acquisition occurred on 1 July 2019, the full year contributions would have been revenues of \$64,000 and loss after tax of \$7,000. The values identified in relation to the acquisition of Ninety Nine Pty Ltd are final as at 30 June 2020.

Details of the acquisition are as follows:

	Fair value \$000
Cash and cash equivalents	5
Software & IP	628
Other assets	-
Tax liabilities	(1)
Total identifiable net assets at fair value	632
Goodwill	-
Acquisition-date fair value of the total consideration transferred	<u>632</u>
Purchase consideration paid / payable	
Cash paid to vendor (Tranche 1)	175
Shares issued, at fair value (Tranche 1)	101
Deferred consideration payable – discounted using a 11.55% discount rate (Tranches 2 & 3)	356
	<u>632</u>
Acquisition related costs expensed to profit or loss	<u>5</u>
Cash used to acquire business, net of cash acquired:	
Cash consideration	175
Cash acquired	5
Acquisition related costs	(5)
Net outflow of cash – Investing Activities	<u>175</u>

As part of the purchase agreement with the previous owner of Ninety Nine Pty Ltd, contingent consideration has been agreed. There will be additional payments (cash and ordinary shares in the Group) to the previous owners of Ninety Nine Pty Ltd if certain milestones are achieved

- a) Tranche 2 - \$87,500 cash, and \$70,000 worth of ordinary shares in the consolidated entity will be paid to the previous owners of Ninety Nine Pty Ltd if certain milestones are achieved within the 12-month period after the acquisition date.
- b) Tranche 3 - \$87,500 cash, \$175,000 worth of ordinary shares in the consolidated entity will be paid to the previous owners of Ninety Nine Pty Ltd if certain milestones are achieved within the 24-month period after the acquisition date.

As at 30 June 2020, management believes that it is probable that the milestones for Tranches 2 and 3 will be achieved and this is reflected in the valuation of the contingent consideration. The fair value of the deferred consideration is determined using a discounted cash flow method.

hipages Group Pty Limited
Notes to the financial statements
30 June 2020

Note 34. Business combination (continued)

Deferred Consideration

	\$000
Fair value of deferred consideration liability arising on business combination - as at 20 Feb 2020	\$356
Interest expense recognised in profit or loss during FY20	\$18
Fair value of deferred consideration as of 30 June 2020	<u>\$374</u>

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
hipages Group Pty Ltd	Australia	100%	100%
hipages.com.au Pty Ltd	Australia	100%	100%
Natural Therapy Pages Pty Ltd	Australia	100%	100%
Pet Pages Pty Ltd	Australia	0%	100%
UK Pages Pty Ltd	Australia	0%	100%
NZ Pages Pty Ltd	Australia	0%	100%
Alternative Health Business Solutions Pty Ltd	Australia	100%	100%
Home Improvement Pages Pty Ltd	Australia	100%	100%
hipay Pty Ltd	Australia	100%	100%
hipages ESP Pty Ltd	Australia	100%	100%
Start Local Pty Limited	Australia	0%	100%
hipages Personnel Pty Limited	Australia	100%	100%
hipages Philippines Pty Limited	Australia	100%	100%
Personnel Pty Ltd Philippines ROHQ	Philippines	100%	100%
Ninety Nine Pty Ltd (trading as Call of Service)	Australia	100%	-

Note 36. Events after the reporting period

Subsequent to year end, on 21 July 2020, the consolidated entity issued a Convertible Note to the value of \$3,000,000. The coupon on the note is 13.5% pa paid monthly with a maturity of 21 January 2023. The notes will convert to equity on either an IPO or exit event. If these do not occur before the end of the term, the noteholder can choose to convert to equity or redeem the note. This same choice applies, if there is a capital raising of more than \$20 million before the end of the term. Also, on 24 September 2020 the Board resolved to convert 11,536 Class B shares to Ordinary Shares. This conversion has been accommodated in the ESP and EOSP plans as applicable.

No other matters or circumstances have arisen since the end of the financial year 30 June 2020 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Note 37. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2020	2019
	\$'000	\$'000
Loss after income tax expense for the year	(5,914)	(14,148)
Adjustments for non-cash items:		
Depreciation and amortisation	9,000	9,022
Share based payments expense	1,485	384
Non-cash interest	2,269	1,457
Non-cash marketing expense	2,752	-
Non-cash gain on divestment of subsidiaries	(258)	-
Non-cash fair value adjustment to embedded derivative	(207)	-
Non-cash AASB 16 Leases adoption adjustment	-	(693)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(196)	621
Decrease in current assets	2,661	414
Decrease in non-current asset prepayments	-	2,217
(Decrease)/Increase in trade and other payables	(1,635)	1,887
Decrease in contract liabilities	(146)	(231)
Increase/(Decrease) in employee benefits	261	(299)
Net cash from operating activities	<u>10,072</u>	<u>632</u>

Note 38. Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- recognition of right-of-use assets and lease liabilities as per the AASB 16 Leases adoption
- partial settlement of business combination through the issue of shares
- deferred settlement of part proceeds of the sale of divested businesses
- options and shares issued to employees under the Company's Employee Share Plan and Employee Share Option scheme for no cash consideration.

Note 39. Net Debt

This section sets out an analysis of net debt and movements in net debt for each of the periods presented.

Cash and cash equivalents	8,822	5,287
Funds on deposit	2,271	3,289
Borrowings (fixed interest) – repayable within one year	(1,795)	(2,164)
Borrowings (fixed interest)- repayable after one year	(12,118)	(8,855)
Net Debt	(2,820)	(2,443)

	Cash and Cash Equivalents	Funds on Deposit	Borrowings	Total \$000
Opening 1 July 2018	3,153	4,039	(2,968)	4,224
Cashflows	2,134	(750)	(9,467)	(8,083)
Other changes	-	-	1,416	1,416
Net debt as at 30 June 2019	5,287	3,289	(11,019)	(2,443)
Cashflows	3,535	(1,018)	(2,057)	460
Other changes	-	-	(837)	(837)
Net Debt as at 30 June 2020	8,822	2,271	(13,913)	(2,820)

Note 39. Net Debt (continued)

Other changes in borrowings are non-cash movements such as the recognition of the risk participation fee in equity, effective interest rate, and fair value movements in the convertible note.

Note 40. Share-based payments

The establishment of the Employee Share Plan ('ESP') and Employee Share Option plan ('ESOP') were approved by the Board on the 27 April 2014 and 25 June 2015 respectively. These plans are designed to provide long-term incentives for senior management and employees to deliver long-term shareholder returns.

(a) ESP 1 and ESP 2

Under ESP 1 and ESP 2, participants were granted loans to purchase units in a unit trust which in turn purchased Class B shares which were subsequently converted to ordinary shares in the Company in accordance with the terms and conditions of the ESP. The structure in substance was a zero priced option arrangement.

Set out below are summaries of units issued under the ESP 1 and ESP 2 plan which were subsequently converted to ordinary shares in the Company:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/7/2014	30/06/2018	\$0.00	39,029	-	-	-	39,029
01/7/2015	30/06/2019	\$0.00	5,725	-	-	-	5,725
			44,754	-	-	-	44,754

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/7/2014	30/06/2018	\$0.00	39,029	-	-	-	39,029
01/7/2015	30/06/2019	\$0.00	5,725	-	-	-	5,725
			44,754	-	-	-	44,754

While these have been converted to ordinary shares, the shares are held in trust on behalf of participants. The assessed fair value at grant date of ESP 1 and ESP 2 was \$39.39 and \$87.89 respectively.

(b) ESP 3

Under the ESP 3 plan, participants were granted rights to shares (zero-priced options) which fully vested as at 30 June 2020. These rights represents entitlements to B class shares with the shares held in trust on behalf of the participants in ESP 3.

Set out below are summaries of options granted under the plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/7/2016	30/06/2025	\$0.00	5,464	-	-	-	5,464
01/7/2017	30/06/2025	\$0.00	2,362	-	-	-	2,362
01/7/2018	30/06/2025	\$0.00	1,738	-	-	-	1,738
01/7/2019	30/06/2025	\$0.00	-	1,972	-	-	1,972
			9,564	-	-	-	11,536

hipages Group Pty Limited
Notes to the financial statements
30 June 2020

Note 40. Share-based payments (continued)

The 11,536 performance rights fully vested as of 30 June 2020 and are all exercisable as of 30 June 2020. The assessed fair value at grant date of this ESOP was \$171.35. The fair value at grant date is independently determined by the most recent share price on transfer between unrelated shareholders.

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/7/2016	30/06/2025	\$0.00	5,464	-	-	-	5,464
01/7/2017	30/06/2025	\$0.00	2,362	-	-	-	2,362
01/7/2018	30/06/2025	\$0.00	-	1,738	-	-	1,738
			<u>7,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,564</u>

(c) ESP 5

Under the ESP 5 plan, participants are granted performance rights to shares (zero-priced options) which will only be received if certain performance standards are met. 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.

The shares are held in trust on behalf of the participants and will be transferred to the employee upon all conditions being met and the employee electing to convert their performance rights into ordinary shares. Once vested, there is an option for these rights to be settled in cash rather than equity by the company, this option remains at the company's discretion.

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
1 January 2020	1 January 2025	\$0.00	-	3,999	-	-	3,999
1 July 2020	1 July 2025	\$0.00	-	4,607	-	-	4,607
			<u>-</u>	<u>8,606</u>	<u>-</u>	<u>-</u>	<u>8,606</u>

The assessed fair value at grant date of this ESP was \$243.43. The fair value at grant date is independently determined by the most recent share price on transfer between unrelated shareholders.

(d) Hipages Employee Share Trust

The employee share schemes are administered by the hipages Employee Share Plan Trust. Shares held by the trust on behalf of the participants are a combination of newly issued and acquired shares in hipages Group Pty Limited. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as Class B shares in the financial statements. When issued to employees they are converted to Ordinary shares.

(e) Expenses arising from share-based payment transactions

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

	2020 ('000s)	2019 ('000s)
Options under ESP 1 and ESP 2	-	-
Options under ESP 3	384	384
Options under ESP 5	<u>1,101</u>	<u>-</u>
	<u>1,485</u>	<u>384</u>

Note 41. Earnings per share

(a) Basic earnings per share

	2020 (\$)	2019 (\$)
From continuing operations attributable to the ordinary equity holders of the company	(5.90)	(15.28)
From discontinued operations attributable to the ordinary equity holders of the company	(0.76)	(0.65)
Total basic earnings per share attributable to the ordinary equity holders of the company	(6.66)	(15.93)

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

	2020 (\$'000)	2019 (\$'000)
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holder of the company used in calculating basic earnings per share:		
From continuing operations	(5,240)	(13,572)
From discontinued operation	(674)	(576)
	(5,914)	(14,148)

<i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company		
Used in calculating basic earnings per share	(5,240)	(13,572)
Used in calculating diluted earnings per share	(5,240)	(13,572)
Loss from discontinued operation	(674)	(576)
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(5,914)	(14,148)

(c) Weighted average number of shares used as the denominator

	2020 (\$'000)	2019 (\$'000)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	889	888
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	889	888

(d) Information concerning the classification of securities:

i. Convertible notes

In accordance with AASB 133 the potential ordinary shares, from an assumed conversion of the convertible notes, have not been included in the calculation of the diluted earnings per share as they are considered to be 'antidilutive'.

hipages Group Pty Limited
Directors' Declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Chris Knoblanche AM
Director

20 October 2020
Sydney



Independent auditor's report

To the members of hipages Group Pty Limited

Our opinion

In our opinion:

The accompanying financial report of hipages Group Pty Limited (the Company) and its controlled entities (together the Consolidated entity) is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

The Consolidated entity financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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 Consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

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

Responsibilities of the directors 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 ability of the Consolidated entity 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 Consolidated entity 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 the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'M Valerio'.

Mark Valerio
Partner

Sydney
20 October 2020