

AD1 Holdings Limited

Appendix 4D - Half year report

For the half year ended 31 December 2020

Name of entity: AD1 Holdings Limited
ABN or equivalent company reference: ACN 123 129 162
Current reporting period: the half year ended 31 December 2020
Previous corresponding period: the half year ended 31 December 2019

Results for announcement to the market

Revenue for ordinary activities	Up	22%	to	\$ 2,203,180
Net loss after tax for the period attributable to members (from ordinary activities)*	Down	4%	to	1,617,912
Net loss for the period attributable to members	Down	4%	to	1,617,912

*Net loss from ordinary activities includes share based payments expense and one off transaction costs. Please refer to the accompanying interim financial report for further details.

Explanation of results

Refer to the "Review of operations" on page 2 of the Directors' report for more information.

Net tangible asset per share

	31 December 2020	30 June 2020
Net tangible asset per share (cents)	(0.30)	0.01

Dividends

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

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities
On 26 October 2020, the Group completed the acquisition of 100% equity interest in Art of Mentoring Holdings Pty Ltd and its wholly owned subsidiary, Art of Mentoring Pty Ltd ("Art of Mentoring"). Please refer to Note 11 in the accompanying interim financial report for further details.
- Details of associates and joint venture entities - n/a
- Foreign entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Interim review

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

AD1 Holdings Limited

ABN 29 123 129 162

**Interim financial report
for the half year 31 December 2020**

Contents

Corporate Directory	1
Directors' report.....	2
Auditor's independence declaration	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the financial statements	10
Directors' declaration.....	19
Independent auditor's review report to the members	20

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by AD1 Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors

Mr Andrew Henderson *Non-Executive Chairman*

Mr Michael Norster *Non-Executive Director*

Mr Prashant Chandra *Managing Director & CEO*

Mr Nicholas Smedley *Non-Executive Director*

Company Secretary

Mr Prashant Chandra
Mr Harvey Bui

Principal registered office in Australia

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Share and debenture register

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Auditor

PKF
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Melbourne, VIC 3000

Solicitors

Thomas Geer
Level 39, Rialto Towers
525 Collins Street
Melbourne, VIC 3000

Website

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Directors' report

Your directors present the interim financial report of AD1 Holdings Limited ("the Company") and the entities it controlled (together, the "Group", or "AD1") for the half year ended 31 December 2020.

Directors

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

Mr Andrew Henderson (Non-Executive Chairman)
Mr Michael Norster (Non-Executive Director)
Mr Prashant Chandra (Managing Director & CEO)
Mr Nicholas Smedley (Non-Executive Director)

Principal activities

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

Review of operations

During the first half of FY21, the Company achieved significant milestones establishing the necessary foundation that will enable it to expedite future growth whilst maintaining sustainable profitability.

The milestones include multi-year contract extensions with its two oldest career-platform customers – NSW Government and VIC Government, maintaining a retention rate for the year of over 95% across all platforms and solutions, signing two important new customers to the Company's utilities solutions platform, adding a complementary revenue stream of approximately \$1 million through the acquisition of Art of Mentoring in October 2020 and the successful completion of an oversubscribed \$2.5 million placement in October 2020.

Most notably, the Company laid the foundation for the extension and significant expansion of its contract with energy retailer LPE, which was subsequently executed in February 2021. The new contract is expected to yield a minimum of \$10 million in revenue over five years, which is based on the retailer's current customer numbers. Importantly, this more than doubles the revenue that would have been generated over the same period under the old contract, with significant potential for further upside as customer numbers for the energy retailer continue to grow.

Together, these successful events will provide the Company with the necessary revenue run rate to achieve its first profitable year in FY22.

Priorities for 2H21

The above events mark an important shift in the Company's focus enabling it to progress from a stabilisation and expansion phase to growth acceleration. In addition to the new customer wins highlighted above, the Company has also built a strong pipeline of project revenue for 2H21 and beyond, especially with its existing customers in the utilities sector.

In the utilities sector, the focus for the Company over the next six months will be to ensure the successful implementation of new contracts for both new and existing clients highlighted above, and delivery of its project pipeline. The Company will invest to create additional delivery capacity over the second half of FY21 to accelerate delivery timeframes and effectively maximise the revenue run-rate for FY22.

The Company has recently undertaken a comprehensive review of its careers-platform solution with a view to exploring further opportunities to become the dominant provider of careers site technology in the market. Whilst Government and Associations continue to be important targets for the Company's bespoke enterprise solution, the Company will introduce an off-the-shelf solution for SME and large employers. The key target segments for the off-the-shelf careers-platform solution, expected to be launched by the first quarter of FY22, will include healthcare, education & training, professional services, utilities and construction.

The cashflow statements for the next two quarters will reflect the impact of these investments. The revenue and cash receipts as a result of these investments will be realised from FY22 onwards.

The integration of Art of Mentoring is near complete and focus will remain on maximising new client acquisition. Art of Mentoring signed up 15 new clients during the first half of FY21 (8 new clients since acquisition date). Notable customers of this solution include Toyota Australia, Fair Work Ombudsman, Aurizon and Royal Australian Navy.

Enhancing shareholder value through EPS accretive acquisitions remains an important focus area for the Company and it continues to canvass suitable opportunities to add diversified revenue streams.

Key financial metrics	HY21 \$	HY20 \$	Change %
Revenue from contracts with customers	2,051,971	1,637,020	▲ 25.3%
Operating expenses*	(2,500,837)	(3,459,044)	▼ 27.7%
Operating result for the period	(297,658)	(1,656,283)	▼ 82.0%
Add: Share based payments and transaction costs	(1,320,254)	(24,148)	▲ 5367.3%
Loss for the period	(1,617,912)	(1,680,431)	▼ 3.7%
Cash receipts from customers	2,256,052	1,588,854	▲ 42.0%
Net cash outflows from operating activities	22,734	(2,279,150)	▼ 101.0%

*Operating expenses from ordinary activities excludes extraordinary expenses relating to non-cash share-based payments, placement fees, and acquisition of Art of Mentoring.

Revenue from contracts with customers increased by \$414,951 or 25.3% compared to the prior half year. The increase in revenue was due to a combination of new customer wins, organic growth with existing customers and the acquisition of Art of Mentoring.

Operating expenses increased by \$337,899 (9.7%) compared to HY20 primarily as a result of transaction costs relating to the Art of Mentoring acquisition, placement fees and non-cash share based payments for the Directors and Management. Operating expenses net of these costs was \$2,500,837 down \$958,207 (27.7%) compared to the same period in FY20.

Net loss for the period was \$1,617,912 (\$297,658 normalised for the above extraordinary expenses).

The Company remained cashflow positive for the reported period with cash receipts from customers of \$2,256,052, an increase of 42% compared to the prior corresponding period. Cash outflows from operating activities decreased by \$1,635,000 (42.3%) with a net cash inflow for the period of \$22,734.

COVID-19 and impact on the Company's state of affairs

Given the strength of the Company's underlying revenue streams, the Company was able to perform well under the pandemic restrictions that existed during most of 2020. The Company experienced significant delays in decision making from prospective customers as a result of the ongoing economic uncertainty. However, with improving conditions the Company is building on its sales momentum with new wins outlined above and a strong sales pipeline.

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

The Company acknowledges that there remains a risk of further or additional government restrictions, which may result in further sales pipeline execution delays. The Company continues to monitor the conditions for any changes and will update the market accordingly.

Significant changes in the current reporting period

On 26 October 2020, the Group completed the acquisition of 100% equity interest in Art of Mentoring Holdings Pty Ltd and its wholly owned subsidiary, Art of Mentoring Pty Ltd ("Art of Mentoring"). Accordingly, from the 26 October 2020 the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows represent the consolidated activities of the Group. The interim financial position and performance of the Group reflects the recognition of goodwill and other intangible assets related to the acquisition.

Matters subsequent to the end of the financial period

On 9 February 2021, the Company announced the signing of a 5-year agreement for an estimated value of \$10 million over the contract term to extend and expand its service offering to Locality Planning Energy Ltd.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

For and on behalf of the Board,



Mr Prashant Chandra
Managing Director & CEO

Melbourne
26 February 2021

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

In relation to our review of the financial report of AD1 Holdings Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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



PKF
Melbourne, 26 February 2021



Kenneth Weldin
Partner

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Revenue from continuing operations			
Revenue from contracts with customers	3	2,051,971	1,637,020
Other income		151,202	164,491
Interest income		7	1,250
		<u>2,203,180</u>	<u>1,802,761</u>
Expenses			
Employee benefit expense	4	(2,382,995)	(1,859,631)
Software development and other IT expense		(420,966)	(745,708)
Consulting and professional service expense		(693,021)	(514,068)
Advertising and marketing expense		(45,871)	(58,547)
Occupancy, utilities and office expense		(64,985)	(84,587)
Depreciation and amortisation expense		(164,497)	(93,391)
Travel expense		(198)	(21,812)
Interest expense		(11,041)	(5,170)
Other expense		(37,518)	(100,276)
Total expenses		<u>(3,821,092)</u>	<u>(3,483,192)</u>
Loss before income tax		<u>(1,617,912)</u>	<u>(1,680,431)</u>
Income tax expense		-	-
Loss for the period		<u>(1,617,912)</u>	<u>(1,680,431)</u>
Other comprehensive income			
<i>Other comprehensive income for the period, net of tax</i>		-	-
Total comprehensive loss for the period		<u>(1,617,912)</u>	<u>(1,680,431)</u>
Loss per share attributable to the ordinary equity holders of the Group:			
Basic loss per share	5	(0.28)	(0.33)
Diluted loss per share	5	(0.28)	(0.33)

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

Consolidated statement of financial position

As at 31 December 2020

	Notes	31 December 2020	30 June 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,917,967	459,742
Trade and other receivables		699,342	771,073
Total current assets		2,617,309	1,230,815
Non-current assets			
Property, plant and equipment		125,596	177,397
Other non-current assets		82,327	82,327
Intangible assets	6	5,812,743	1,473,158
Total non-current assets		6,020,666	1,732,882
Total assets		8,637,975	2,963,697
LIABILITIES			
Current liabilities			
Trade and other payables		612,354	490,509
Employee benefit obligations		257,088	157,986
Current tax liabilities		525,216	525,216
Lease liability		106,836	85,690
Contract liability		514,758	80,099
Other liabilities	7	1,365,539	-
Total current liabilities		3,381,791	1,339,500
Non-current liabilities			
Employee benefit obligations		39,009	24,100
Lease liability		-	48,187
Other liabilities	7	1,241,827	-
Total non-current liabilities		1,280,836	72,287
Total liabilities		4,662,627	1,411,787
Net assets		3,975,348	1,551,910
EQUITY			
Share capital		29,156,778	26,368,683
Reserve		1,284,706	53,702
Accumulated losses		(26,466,136)	(24,870,475)
Total equity		3,975,348	1,551,910

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

Consolidated statement of changes in equity

For the half year ended 31 December 2020

	Note	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2019		24,535,633	598,198	(23,245,867)	1,887,964
Adjustment – adoption of AASB 16		-	-	(7,252)	(7,252)
Adjusted Balance at 1 July 2019		24,535,633	598,198	(23,253,119)	1,880,712
Loss for the period		-	-	(1,680,431)	(1,680,431)
Total comprehensive loss for the period		-	-	(1,680,431)	(1,680,431)
Transactions with owners in their capacity as owners:					
Shares issued		1,833,050	-	-	1,833,050
Options granted		-	2,080	-	2,080
Options expired/forfeited		-	(155,930)	155,242	(688)
Share-based payment expense		-	9,701	-	9,701
		1,833,050	(144,149)	155,242	1,844,143
Balance at 31 December 2019		26,368,683	454,049	(24,778,308)	2,044,424
Balance at 1 July 2020		26,368,683	53,702	(24,870,475)	1,551,910
Loss for the period		-	-	(1,617,912)	(1,617,912)
Total comprehensive loss for the period		-	-	(1,617,912)	(1,617,912)
Transactions with owners in their capacity as owners:					
Shares issued	8	2,500,000			2,500,000
Options granted	9		1,244,627		1,244,627
Options expired/forfeited	9		(22,251)	22,251	-
Share-based payment expense	8		8,628		8,628
Acquisition of business combination		500,558			500,558
Capital Raising Costs		(212,463)			(212,463)
		2,788,095	1,231,004	22,250	4,041,350
Balance at 31 December 2020		29,156,778	1,284,706	(26,466,136)	3,975,348

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

Consolidated statement of cash flows

For the half year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities		
Receipts from customers	2,256,052	1,588,854
Payments to suppliers and employees	(2,731,472)	(3,864,084)
R&D claim	500,410	-
Interest income	7	1,250
Interest and other costs of finance paid	(2,263)	(5,170)
Net cash inflow/(outflow) from operating activities	22,734	(2,279,150)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,456)	(197)
Payments for software development	(33,702)	-
Acquisition of Art of Mentoring (net of cash acquired)	(894,650)	-
Net cash (outflow) from investing activities	(933,808)	(197)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	2,500,010	1,833,050
Capital raising costs	(130,710)	-
Repayments of lease liabilities	-	(42,665)
Net cash inflow from financing activities	2,369,300	1,790,385
Net increase / (decrease) in cash and cash equivalents	1,458,226	(488,962)
Cash and cash equivalents at the beginning of the financial year	459,742	838,987
Cash and cash equivalents at end of period	1,917,967	350,025

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

Notes to the financial statements

1. Basis of preparation of half-year report

The consolidated interim financial statements of AD1 Holdings Ltd ("AD1" or the "Group") are for the six (6) months ended 31 December 2020 and are presented in Australian Dollars (\$), which is the functional currency of the Group. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2021.

(a) Going concern

The interim financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

During the six months ended 31 December 2020, the Group recorded a consolidated loss of \$1,617,912 (31 December 2019: \$1,680,431) and net cash inflows from operating activities of \$22,734 (31 December 2019: net outflows of \$2,279,150). The consolidated net loss from ordinary activities excluding share based payments expense and one off transaction costs was \$297,658 or 82% reduction in loss made compared to period ending 31 December 2019.

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

- recent contract wins, existing revenue streams and the revenue pipeline of the Group;
- the recent capital raise of approximately \$2.5 million in October 2020; and
- the Group's ability to consider available non-dilutive funding alternatives should there be a requirement to manage any short-term timing impacts to the cash flows.

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

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

(b) Basis for preparation

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

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

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

2. Segment information

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

3. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	31 December 2020 \$	31 December 2019 \$
SaaS and Managed Services	1,456,243	1,085,305
IT Development and Consulting	595,729	549,573
Digital Marketing	-	2,141
	<u>2,051,971</u>	<u>1,637,020</u>
Services at a point in time	622,621	549,573
Services transferred over time	1,429,350	1,087,446
	<u>2,051,971</u>	<u>1,637,020</u>

(b) Information of major customers

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

	31 December 2020 \$	31 December 2019 \$
Customer A	34%	51%
Customer B	22%	14%
Customer C	11%	*
Customer D	*	12%

*Less than 10%

4. Expenses

	31 December 2020 \$	31 December 2019 \$
Employee benefit expense		
Share-based payment	1,163,254	11,093
Salaries and wages	956,856	1,718,428
Superannuation	109,810	143,661
Other employee related expenses	153,074	(13,551)
	<u>2,382,995</u>	<u>1,859,631</u>

5. Loss per share

(a) Basic & diluted loss per share

	31 December 2020 Cents	31 December 2019 Cents
Basic loss per share	(0.28)	(0.33)
Diluted loss per share	(0.28)	(0.33)

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

	31 December 2020 \$	31 December 2019 \$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted loss per share	(1,617,912)	(1,680,431)

(c) Weighted average number of shares used as denominator

	31 December 2020 \$	31 December 2019 \$
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	570,237,752	516,152,160

As the Group is still loss making, options over ordinary shares outstanding at 31 December 2020 and 31 December 2019 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation

6. Intangible Assets

	31 December 2020 \$	30 June 2020 \$
Software & licences	915,258	150,051
Customer contracts	611,959	127,967
Other copyright material	332,334	-
Goodwill	3,953,291	1,195,139
	<u>5,812,843</u>	<u>1,473,157</u>

7. Other liabilities

	31 December 2020 \$	30 June 2020 \$
<i>Other current liabilities</i>		
Contingent consideration – Tranche 2	1,365,539	-
<i>Other non-current liabilities</i>		
Contingent consideration – Tranche 3	1,241,827	-

Contingent consideration relates to the acquisition of Art of Mentoring. Refer to Note 11 Business Combinations for further details.

8. Share capital

(a) Ordinary shares

	31 December 2020 Shares	31 December 2019 Shares	31 December 2020 \$	31 December 2019 \$
Ordinary shares – full paid	604,456,397	548,058,530	29,156,878	26,368,683
	604,456,397	548,058,530	29,156,878	26,368,683

(b) Movements in ordinary share capital

	Number of shares	\$
<i>31 December 2020</i>		
Opening balance	548,058,530	26,368,683
Issue of new ordinary shares	48,076,923	2,500,000
Acquisition of Art of Mentoring	8,320,944	500,558
Capital raising costs		(212,463)
Closing balance	604,456,397	29,156,778
<i>31 December 2019</i>		
Opening balance	425,855,214	24,535,633
Issue of new ordinary shares	122,203,316	1,833,050
Closing balance	548,058,530	26,368,683

(c) Details of movements in ordinary shares

Date	Details	Number of shares	Issue price \$	Amount \$
<i>31 December 2020</i>				
19-Oct-20	Issue of new ordinary shares under placement	48,076,923	0.052	2,500,000
19-Oct-20	Capital raising costs	-	-	(122,463)
26-Oct-20	Issue of shares to the vendor as part consideration for acquisition (Art of Mentoring)	8,320,944	0.052	500,558
27-Nov-20	Capital raising costs – underwriters option	-	-	(90,000)
		56,397,867		2,788,095
<i>31 December 2019</i>				
19-Jul-19	Issue of shares to a cornerstone investor	43,333,333	0.015	650,000
30-Aug-19	Issue of shares under the Share Purchase Plan	55,536,650	0.015	833,050
13-Sep-19	Issue of shares to a cornerstone investor	23,333,333	0.015	350,000
		122,203,316		1,833,050

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

9. Reserve

(a) Options reserve

	31 December 2020 Options	31 December 2019 Options	31 December 2020 \$	31 December 2019 \$
Options over ordinary shares	245,347,811	41,444,219	1,284,706	454,050
	245,347,811	41,444,219	1,284,706	454,050

The reserve is used to recognise:

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

(b) Movements in options reserve

	Number of options	\$
<i>31 December 2020</i>		
Opening balance	18,183,323	53,702
Issue of new options over ordinary shares	227,914,488	1,244,627
Share based payments expense	-	8,628
Options forfeited/expired	(750,000)	(22,251)
Closing balance	245,347,811	1,284,706
<i>31 December 2019</i>		
Opening balance	57,399,053	598,198
Issue of new options over ordinary shares	4,500,000	2,080
Share based payments expense	-	9,701
Options forfeited/expired	(20,454,834)	(155,930)
Closing balance	41,444,219	454,050

(c) Details of movements in options reserve

Date	Details	Number of options	Amount \$
<i>31 December 2020</i>			
23-Jul-20	Options granted - ESOP	2,000,000	9,691
28-Sep-20	Options lapsed	(750,000)	(22,250)
27-Nov-20	Options granted	195,000,000	1,130,632
27-Nov-20	Options granted - ESOP	25,000,000	14,304
24-Dec-20	Options granted – underwriters options	5,914,488	90,000
31-Dec-20	Share-based payment expense for options granted in prior period	-	8,627
		227,164,488	1,231,004
<i>31 December 2019</i>			
24-Jul-19	Options granted	4,500,000	2,080
18-Aug-19	Options lapsed	(125,000)	(2,985)
23-Aug-19	Options lapsed	(750,000)	(17,913)
4-Sep-19	Options lapsed	(750,000)	(17,913)
8-Sep-19	Options lapsed	(250,000)	(5,971)
29-Sep-19	Options lapsed	(500,000)	(11,942)
5-Oct-19	Options lapsed	(1,000,000)	(23,883)
11-Oct-19	Options forfeited	(75,000)	(688)
13-Oct-19	Options lapsed	(50,000)	(1,194)
28-Nov-19	Options lapsed	(1,000,000)	(23,883)
1-Dec-19	Options lapsed	(950,000)	(22,689)
11-Dec-19	Options lapsed	(250,000)	(5,971)
18-Dec-19	Options lapsed	(875,000)	(20,898)
20-Dec-19	Options lapsed	(13,879,834)	-
31-Dec-19	Share-based payment expense for options granted in prior period	-	9,701
		(15,954,834)	(144,148)

10. Share based payments

(a) Options granted during the period

	31 December 2020 Number of options	31 December 2020 Average exercise price \$	31 December 2019 Number of options	31 December 2019 Average exercise price \$
Opening balance	18,183,323	0.09	57,399,053	0.17
Granted during the period	227,914,488	0.20	4,500,000	0.08
Exercised during the period	-	-	-	-
Forfeited/expired during the period	(750,000)	0.33	(20,454,834)	0.14
Closing balance	245,347,811	0.20	41,444,219	0.17

(b) Fair value of options granted

The assessed fair value of options granted at grant date was determined using the Black Scholes model and a trinomial model (variation of the Hull-White model), where applicable, that takes into account the exercise price, barrier price, life of the options, share price at grant date, the expected share price volatility of the underlying share, the expected dividend yield, the risk-free rate for the life of the options, as following:

Grant date	Expiry date	Exercise price \$	No. of options granted	Share price at grant date \$	Dividend Yield	Risk-free Interest Rate	Fair value at grant date \$
23-Jul-2020	22-Jul-2024	0.050	666,666	0.029	Nil	0.40%	15,333
23-Jul-2020	22-Jul-2024	0.075	666,666	0.029	Nil	0.40%	14,667
23-Jul-2020	22-Jul-2024	0.100	666,668	0.029	Nil	0.40%	14,000
27-Nov-2020	23-Dec-2025	0.100	75,000,000	0.045	Nil	0.30%	1,087,500
27-Nov-2020	27-Nov-2025	0.200	60,000,000	0.045	Nil	0.30%	840,000
27-Nov-2020	27-Nov-2025	0.300	30,000,000	0.045	Nil	0.30%	411,000
27-Nov-2020	27-Nov-2025	0.400	30,000,000	0.045	Nil	0.30%	402,000
27-Nov-2020	27-Nov-2025	0.100	10,000,000	0.045	Nil	0.30%	146,000
27-Nov-2020	27-Nov-2025	0.200	7,000,000	0.045	Nil	0.30%	98,000
27-Nov-2020	27-Nov-2025	0.300	4,000,000	0.045	Nil	0.30%	54,800
27-Nov-2020	27-Nov-2025	0.400	4,000,000	0.045	Nil	0.30%	53,600
24-Dec-2020	24-Dec-2022	0.077	5,914,488	0.052	Nil	0.25%	90,000

(c) Expenses arising from share-based payment transactions

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

	31 December 2020 \$	31 December 2019 \$
Expense from options granted in current period	1,154,627	2,080
Expense from options granted in prior period	8,627	9,700
Reversal of expense from options forfeited in current period	-	(688)
	1,163,254	11,093

11. Business Combinations

(a) Summary of acquisition

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

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

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

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

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

	Fair Value
	\$
Purchase consideration:	
Cash paid – Tranche 1	1,068,801
Ordinary shares issued – Tranche 1	500,558
Contingent consideration – Tranche 2	1,365,539
Contingent consideration – Tranche 3	1,241,827
Total purchase consideration	<u>4,176,725</u>

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

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

	Fair Value
	\$
Purchase consideration (refer to (b) below):	
<i>Assets</i>	
Cash and cash equivalents	174,151
Trade debtors	122,816
Software – replacement cost	748,000
Other copyright materials	345,000
Customer contracts	531,000
<i>Liabilities</i>	
Contract Liabilities	(415,924)
Provision for annual leave	(19,276)
Trade creditors	(67,094)
Net identifiable assets acquired	<u>1,418,673</u>
Add: goodwill ⁽ⁱ⁾	<u>2,758,052</u>
Acquisition date fair value of the total consideration transferred	<u>4,176,725</u>

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

(i) Revenue and profit contribution

The acquired business contributed operating revenues of \$177,381 and net loss of \$27,302 to the Group for the period from 27 October 2020 to 31 December 2020.

(b) Purchase consideration – cash inflow

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

Acquisition-related costs

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

12. Investment in controlled entities

The Group's principal subsidiaries at 31 December 2020 is set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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

13. Related Party Transactions

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

	31 December 2020 \$	31 December 2019 \$
Revenue from contract with customer	697,006	836,399
Payment for electricity supplied	1,865	3,923
Receivables for services rendered	-	1,231
Payment for M&A and corporate advisory services	91,500	-
	1,163,254	11,093

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

14. Contingencies

The Group had no contingent liabilities at 31 December 2020 (31 December 2019: nil).

15. Events occurring after the reporting period

On 9 February 2021, the Company announced the signing of a 5-year agreement for an estimated value of \$10 million over the contract term to extend and expand its service offering to Locality Planning Energy Ltd.

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

Directors' declaration

31 December 2020

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

This declaration is made in accordance with a resolution of directors.



Mr Prashant Chandra
Managing Director & CEO

Melbourne
26 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AD1 Holdings Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the Company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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




PKF
Melbourne, 26 February 2021

Kenneth Weldin
Partner

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