



**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**ANNUAL REPORT  
2020**

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# I SYNERGY GROUP LIMITED

ACN: 613 927 361

## FINANCIAL REPORT for the financial year ended 31 December 2020

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# I SYNERGY GROUP LIMITED

ACN: 613 927 361

## CORPORATE DIRECTORY 31 DECEMBER 2020

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Directors	Dato' Teo Chee Hong Derrick De Souza Jeffrey Lee
Company Secretary	Harry Miller
Registered office	Ground Floor 16 Ord Street West Perth WA 6005 Phone: +618 9482 0500
Principal place of business	Malaysia Unit 20-10, Tower A The Vertical Business Suite Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur Malaysia Phone: +603 2242 1333  Indonesia Kantor Taman E3.3 Unit A2, Jl. Dr. Ide Anak Agung Gde Agung Lot 8.6-8.7 / E3.3, Kawasan Mega Kuningan, Kel Kuningan Timur, Kec. Setiabudi Jakarta Selatan 12950 Indonesia Phone: +62 21 5794 2020
Share register	Automic Registry Services Level 12, 267 St Georges Terrace Perth WA 6000
Auditor	Crowe Perth Level 5, 45 St Georges Terrace Perth WA 6000
Stock exchange listing	I Synergy Group Limited shares are listed on the Australian Securities Exchange (ASX code: IS3)
Website	<a href="http://www.i-synergygroup.com">www.i-synergygroup.com</a>
Corporate Governance Statement	<a href="http://www.i-synergygroup.com">www.i-synergygroup.com</a>



## **CHAIRMAN'S STATEMENT**

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**Dear Shareholders,**

Welcome to the Annual Report of I Synergy Group Limited.

The 2020 Financial Year experienced challenging trading conditions amidst a prolonged pandemic situation. The renewed efforts of the management team witnessed a significant number of initiatives that are gradually yielding results that we believe are positioning us back on the right track. The business landscape is being expedited towards digitation and it is from this perspective that further efforts will be strengthened for the year oncoming.

### **Financials**

This report is for the year ending 31st December 2020. Revenue was down 4.5% to AUD\$8.37M. This has resulted in loss of AUD\$1.065M.

Due to these poor trading conditions, the company has not paid dividend to its shareholders.

There will be extensive efforts to create new revenue streams and reduce expenses where necessary to sustain the company, to support the management's efforts to turn around the situation and not affect the company's positive cash position further.

### **Trading Conditions**

The Malaysian economy has shown nationwide slow down due to the global pandemic. This has contributed to the difficult trading conditions in 2020 in its entirety.

Our business landscape is being expedited towards digitation. One of the positive takes from this is on the ability to reduce expenses on rentals for business centres. However, the challenge is changing the long-standing status quo nature of our affiliate community presenting company's products and services in a one-to-one manner, offline. The transition has been challenging but our affiliate community are adjusting to adapt to this new norm. Though the slowdown in revenue can be attributed to this, it is expected to recover in the time coming with adaptation executed in full force.

As online shopping activities increased exponentially during the pandemic with everyone staying home due to the Movement Control Order (MCO) imposed by the government, efforts to benefit from this market activity has been put in place. A unique competitive community marketplace that encourages social e-commerce to be promoted by our affiliate community has been developed and this is in line with efforts to strengthen our flagship consumer program.

Furthermore, efforts to align our affiliate community to promote key product of the company which encourages entrepreneurship has been continual. To enhance the appeal of our product to the market in the era of new normal, new program segments has been identified and is made available as a packaged offering to those who qualifies.

These new program segments present new opportunities and revenue streams to the company. The company is aligned and positioned to be a global digital innovation company and with this, we aim to contribute more by creating value to society by what we do. As we assist more businesses with innovations that we provide and as we diversify to empower our affiliate community with new digital products to be promoted, we not only lower our cost and expenses but we believe that we are able to expand our revenue base and increase our scalability and potential margins in 2021.

# **I SYNERGY GROUP LIMITED**

ACN: 613 927 361

## **CHAIRMAN'S STATEMENT**

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### **Closing**

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the company directors, our capable management team and staffs for their contributions over the last year albeit amidst challenging conditions, and for their dedication to the success of the company. We also express our gratitude to all our affiliates, advertisers and stakeholders for their continued support. Challenges are being addressed and we look forward to expanding the marketability of our product offering. We work to continue creating immense value for our shareholders and partners. Last but not least, we thank you, our shareholders, for your well-placed confidence, trust and patience in the company.

I wish you all the very best for the remainder of the year.

Dato' Teo Chee Hong  
Executive Chairman



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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The directors present their report, together with the financial statements, on I Synergy Group Limited (the Company) and its subsidiaries (referred to hereafter as the 'Consolidated Entity' or the "Group").

**Directors**

The following persons were directors of I Synergy Group Limited ('the Company') during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dato' Teo Chee Hong (Executive Chairman)  
Derrick De Souza (Non-executive Director) (Appointed on 20 May 2020)  
Jeffrey Lee (Non-executive Director) (Appointed on 20 May 2020)  
Ilmars Draudins (Non-executive Chairman) (Retired on 3 July 2020)

**Company Secretary**

Harry Miller

**Principal activities**

The Group's principal activities are providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Group during the financial year.

**Share buy-back**

No share buy-back has taken place during the financial period.

**Dividends**

No dividend was recommended by the directors of the Company for the financial year.

**Review of operations**

During the financial year, the revenue experienced a decline of 4.5% compared to the previous financial year to AUD\$8,369,654 from AUD\$8,768,192. This also resulted in the lower Group's loss after taxation to AUD\$1,065,040 from loss after taxation AUD\$1,833,567.

The decline in revenue is primarily due to the global pandemic COVID-19 which has impacted the core business income stream of software activation, license rights and program fee from the sign up of new affiliates. The imposed Movement Control Order (MCO) in countries which the Group is operating in has further affected business activities of training and affiliate events which decreased new affiliates sign up.

Despite the performance observed above, the Group has taken the offensive and introduced an economic stimulus package for key stakeholders of affiliates, advertisers and users. Majority of the business activities have been moved online with automation of processes. This strategy is significant in managing expenses during this uncertain time while continuing to stimulate the market. The Management has been optimistic that the Group's products and services are well-placed for acceptance more than ever and would contribute positively for the time coming.

In addition, data collected shows that affiliate base has increased from 32,559 to 37,280 comparing FYE 2019 to FYE 2020; advertiser base from 3,025 to 4,330 and user base from 3.1 million to 3.7 million. These figures signify an encouraging push forward on the business.



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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**Significant changes in the state of affairs**

On 17 March 2020, the subsidiary of the Company, I Synergy Consolidated Sdn. Bhd. has executed and an agreement to acquire entire issued capital of Ocean Nexus Sdn. Bhd. ("ONSB") ("Agreement") which is principally engaged in the business of providing customised software design and development services and solutions to customers for the purchase price comprise circa AUD\$282,000 cash and equity over the following components (together, the "Balance Purchase Price"):

- i. An upfront cash payment of RM200,000 (~AUD\$75,000) which will be paid immediately;
- ii. The balance of the purchase price of RM550,000 (AUD\$207,000) is to be paid by 437,500 fully paid ordinary shares which equates to AUD\$87,500 and deferred milestone consideration of AUD\$113,000;
- iii. One year after the Agreement execution date, the Company is to issue 437,500 fully paid ordinary shares to the vendors at a deemed value of AUD\$0.20 per share for a total deemed value of AUD\$94,000 (being a deemed equivalent value of RM250,000). These shares will be issued under the Company's 15% capacity under ASX Listing Rule 7.1; and
- iv. As deferred milestone consideration, the Company is to immediately deposit RM300,000 (~AUD\$113,000) to an interest-bearing solicitor's trust account, with RM100,000 in cash to be released (together with interest earned) to the vendors each year on each anniversary of the execution date for three anniversary years of 2021, 2022 and 2023.

**Significant event occurring after the reporting period**

The significant event occurring after the reporting period is disclosed in Note 36 to the financial statements.

**Environmental regulation**

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



**DIRECTORS' REPORT**  
**31 DECEMBER 2020**

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**Information on directors**

Name:	<b>Dato' Teo Chee Hong</b>
Title:	<b>Executive Chairman</b>
Qualifications:	Bachelor of Engineering
Experience and expertise:	Dato' Teo is the founder of I Synergy. He has over 16 years of experience in creative and strategic planning where he specialises in the integration of affiliate marketing solutions to businesses.
Other current directorships:	Arris Holding Berhad (NSX: AR2)
Former directorships (last 3 years):	None
Interests in shares:	145,483,592 ordinary shares in the Company <sup>(1)</sup>
Interests in options:	600,000 unlisted incentive options exercisable at \$0.30c and expiring on 17 January 2022.
Contractual rights to shares:	N/A
Name:	<b>Derrick De Souza</b>
Title:	<b>Non-Executive Director</b>
Qualifications:	Bachelor of Accountancy, Diploma in Applied Finance and Investment of the Securities Institute of Australia, Post Diploma in Financial Services (Financial Planning), Certificate IV in Workplace Training and Assessment, ASFA Certificate in Superannuation Management and associate member of CPA Australia
Experience and expertise:	Derrick has over 17 years' experience in business consulting in various capacities in accounting, Australian and international taxation, auditing, international banking, insurance, mergers and acquisitions, corporate restructuring for stock market listings, valuations and strategic planning and financial advisory.
Other current directorships:	Timah Resources Limited (ASX code: TML) and of Actcelerate International Group Ltd (NSX code: ACT)
Former directorships (last 3 years):	Miiracer Holdings Ltd
Interests in shares:	Nil
Interests in options:	450,000 options at \$0.30c which are yet to be issued. Options are to be issued at the Company's AGM.
Contractual rights to shares:	None
Name:	<b>Jeffrey Lee</b>
Title:	<b>Non-Executive Director</b>
Qualifications:	Degrees in Law and Accounting
Experience and expertise:	Jeffrey has been a practicing lawyer in Sydney, Australia for more than 30 years. He established the law firm of Comasters in 1994 and has been serving high net worth clients including major corporations, in the areas of corporate law, property law, litigation, immigration law, family law, probate and other legal areas. Jeffrey is also a Notary Public.
Other current directorships:	None
Former directorships (last 3 years):	Nil
Interests in shares:	10,000 ordinary shares in the Company
Interests in options:	450,000 options at \$0.30c which are yet to be issued. Options are to be issued at the Company's AGM.
Contractual rights to shares:	N/A

<sup>(1)</sup> - including indirect interest through spouse's shareholding of 500,000 shares in the Company.



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company Secretary****Harry Miller**

Mr Miller has an audit and compliance background across a number of sectors and is an employee of Ventnor Capital Pty Ltd. He acts as Company Secretary for various listed and private companies. Mr Miller holds a Bachelor of Commerce in Finance and Economics and a Master of Professional Accounting.

**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 31 December 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dato' Teo Chee Hong	2	2	-	-	-	1
Derrick De Souza	2	2	-	-	-	1
Jeffrey Lee	2	2	-	-	-	1
Ilmars Draudins (Retired)	1	1	-	-	1	1
Morgan Barron (Retired)	1	1	-	-	1	1

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



**DIRECTORS' REPORT**  
**31 DECEMBER 2020**

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**Remuneration Report (audited)**

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") for the consolidated entity for the financial year ended 31 December 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation; and
- Transparency.

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board. The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter.

An executive remuneration framework has been structured, which is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- Having economic profit as a core component of plan design;
- Focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- Attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- Rewarding capability and experience;
- Reflecting competitive reward for contribution to growth in shareholder wealth; and
- Providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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*Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board, in its capacity as the Nomination and Remuneration Committee. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting.

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- Base pay and non-monetary benefits;
- Short-term performance incentives;
- Share-based payments; and
- Other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, in its capacity as the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

*Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on sale revenue targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board, in its capacity as the Nomination and Remuneration Committee.

*Use of consultants*

There was no use of a remuneration consultant during the financial year ended 31 December 2020.

*Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')*

At the 2020 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.



**DIRECTORS' REPORT  
31 DECEMBER 2020**

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of I Synergy Group Limited:

- Dato Teo Chee Hong – Executive Chairman
- Derrick De Souza - Non-Executive Director (Appointed on 20 May 2020)
- Jeffrey Lee - Non-Executive Director (Appointed on 20 May 2020)
- Ilmars Draudins - Non-Executive Chairman (Retired on 3 July 2020)
- Morgan Barron - Non-Executive Director (Retired on 3 July 2020)
- Will Ong Han Keong – Chief Business Officer
- Lennon Chu Chung Piow - Chief Operation Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total AUD\$
	Cash salary and fees AUD\$	Cash bonus AUD\$	Non-monetary* AUD\$	Super-annuation AUD\$	Long service Leave AUD\$	Equity-settled shares AUD\$	Equity-settled options AUD\$	
<b>2020</b>								
<b>Non-Executive Directors:</b>								
Ilmars Draudins (Chairman) <sup>(1)</sup> (Retired)	12,000	-	-	-	-	-	3,999	15,999
Morgan Barron <sup>(2)</sup> (Retired)	9,000	-	-	1,710	-	-	3,999	14,709
Derrick De Souza <sup>(3)</sup>	7,388	-	-	-	-	-	-	7,388
Jeffrey Lee <sup>(4)</sup>	7,388	-	-	417	-	-	-	7,805
<b>Executive Director:</b>								
Dato Teo Chee Hong (Chairman)	160,928	-	24,857	17,122	-	-	15,996	218,903
<b>Key Management Personnel:</b>								
Will Ong Han Keong	82,200	-	-	9,189	-	-	-	91,389
Lennon Chu Chung Piow	58,334	-	-	6,831	-	-	-	65,165
	<u>337,238</u>	<u>-</u>	<u>24,857</u>	<u>35,269</u>	<u>-</u>	<u>-</u>	<u>23,994</u>	<u>421,358</u>

\*Non-monetary short-term benefits comprises of company car for personal use, accommodation and household.

**DIRECTORS' REPORT  
31 DECEMBER 2020****Details of remuneration (cont'd)***Amounts of remuneration (cont'd)*

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total AUD\$
	Cash salary and fees AUD\$	Cash bonus AUD\$	Non-monetary* AUD\$	Super-annuation AUD\$	Long service Leave AUD\$	Equity-settled shares AUD\$	Equity-settled options AUD\$	
<b>2019</b>								
<b>Non-Executive Directors:</b>								
Ilmars Draudins (Chairman)	48,000	-	-	-	-	-	3,999	51,999
Morgan Barron	36,000	-	-	3,420	-	-	-	39,420
<b>Executive Director:</b>								
Dato Teo Chee Hong (Chairman)	189,448	10,413	24,992	20,714	-	-	7,998	253,565
<b>Key Management Personnel:</b>								
Will Ong Han Keong	79,349	25,460	-	10,400	-	-	-	115,209
Lennon Chu Chung Piow	55,035	9,007	-	7,882	-	-	-	71,924
	<u>407,832</u>	<u>44,880</u>	<u>24,992</u>	<u>42,416</u>	<u>-</u>	<u>-</u>	<u>11,997</u>	<u>532,117</u>

\*Non-monetary short-term benefits comprises of company car for personal use, accommodation and household.

- (1) Ilmars Draudins retired effective on 3 July 2020.  
(2) Mr Morgan Barron retired effective on 3 July 2020.  
(3) Mr Derrick De Souza was appointed effective on 20 May 2020.  
(4) Mr Jeffrey Lee was appointed effective on 20 May 2020.



**DIRECTORS' REPORT  
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The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<b>Non-Executive Directors:</b>						
Ilmars Draudins (Retired)	100%	100%	-	-	-	-
Morgan Barron (Retired)	100%	100%	-	-	-	-
Derrick De Souza	100%	-	-	-	-	-
Jeffrey Lee	100%	-	-	-	-	-
<b>Executive Directors:</b>						
Dato Teo Chee Hong	100%	100%	-	-	-	-
<b>Key Management Personnel</b>						
Will Ong Han Keong	100%	100%	-	-	-	-
Lennon Chu Chung Piow	100%	100%	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board in its capacity as the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<b>Executive Directors:</b>				
Dato Teo Chee Hong	-	100%	-	-
<b>Key Management Personnel</b>				
Will Ong Han Keong	-	100%	-	-
Lennon Chu Chung Piow	-	100%	-	-



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: **Dato Teo Chee Hong**  
Title: **Executive Chairman**  
Date of agreement signed: 25 August 2016  
Commencement date: From date of listing  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$18,000 per annum and base annual salary of RM468,000 per annum (approximately AUD\$163,000) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 600,000 options granted on listing date to be vested equally over 3 years. 6-month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name: **Derrick De Souza (Appointed on 20 May 2020)**  
Title: **Non-executive Director**  
Date of agreement signed: 20 May 2020  
Commencement date: 20 May 2020  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$12,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 450,000 options at \$0.30c which are yet to be issued. Options are to be issued at the Company's AGM. Termination by giving notice by either party with immediate effect.

Name: **Jeffrey Lee (Appointed on 20 May 2020)**  
Title: **Non-executive Director**  
Date of agreement signed: 20 May 2020  
Commencement date: 20 May 2020  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$12,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 450,000 options at \$0.30c which are yet to be issued. Options are to be issued at the Company's AGM. Termination by giving notice by either party with immediate effect.

Name: **Ilmars Draudins (Retired on 3 July 2020)**  
Title: **Non-executive Chairman**  
Date of agreement signed: 4 August 2016  
Commencement date: From date of listing  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$24,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 90,000 ordinary shares in the Company upon successful listing of the Company and 300,000 options granted on listing date to be vested equally over 3 years. Termination by giving notice by either party with immediate effect.

Name: **Morgan Barron (Retired on 3 July 2020)**  
Title: **Non-Executive Director**  
Date of agreement signed: 13 April 2018  
Commencement date: 18 April 2018  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$18,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 300,000 options granted on 29 May 2019. Termination by giving notice by either party with immediate effect.

**DIRECTORS' REPORT  
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Name: **Will Ong Han Keong**  
 Title: **Chief Executive Officer of PTISI**  
 Date of agreement signed: 17 May 2017  
 Commencement date: 1 July 2017  
 Term of agreement: From the Commencement Date until termination of the agreement  
 Details: Salary base of RM233,500 per annum (approximately AUD\$80,600 plus superannuation. 3-month termination notice by either party.

Name: **Lennon Chu Chung Piow**  
 Title: **Chief Executive Officer of ISI**  
 Date of agreement signed: 26 July 2017  
 Commencement date: 1 August 2017  
 Term of agreement: From the Commencement Date until termination of the agreement  
 Details: Salary base of RM165,300 per annum (approximately AUD\$57,000 plus superannuation. 3-month termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**Share-based compensation***Issue of shares*

There were no shares issued to other directors and other key management personnel in the 2020 financial year.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercise date	Expiry date	Exercise price	Fair value per option at grant date
Dato Teo Chee Hong	600,000	30 March 2017	Over 3 years	5 years	AUD\$0.30	AUD\$0.04
Will Ong Han Keong	450,000	15 January 2019	Over 3 years	5 years	AUD\$0.30	AUD\$0.04
Lennon Chu Chung Piow	450,000	15 January 2019	Over 3 years	5 years	AUD\$0.30	AUD\$0.04

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the Company. These options were issued on 30 March 2017 and 15 January 2019 respectively. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.





**DIRECTORS' REPORT  
31 DECEMBER 2020**

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	<b>Balance at the start of the year/date of appointment</b>	<b>Exercise performance right</b>	<b>Additions</b>	<b>Disposals/ other</b>	<b>Balance at the end of the year</b>
<b>Ordinary shares</b>					
Ilmars Draudins (Retired)	100,000	-	-	-	100,000
Dato Teo Chee Hong	145,483,592	-	-	-	145,483,592
Morgan Barron (Retired)	25,000	-	-	-	25,000
Derrick De Souza	-	-	-	-	-
Jeffrey Lee	10,000	-	-	-	10,000
Will Ong Han Keong	182,000	-	-	-	182,000
Lennon Chu Chung Piow	132,000	-	-	-	132,000
	145,932,592	-	-	-	145,932,592

*Option holding*

At 31 December 2020, options were issued to Directors and other key management personnel, as stated above.

*Other transactions with key management personnel and their related parties*

During the financial year, payments for office rental from Tripple Gem Sdn Bhd (director related entity of Dato Teo Chee Hong) of \$168,000 and for company secretarial services from Ventnor Capital Pty Ltd (director related entity of Morgan Barron) of AUD\$36,000 were made. Other payable balances at 31 December 2020 of AUD\$3,000 for Ventnor Capital Pty Ltd have also been recognized. All transactions were made on normal commercial terms and conditions and at market rates.

*Changes in Directors and Executives subsequent to year-end*

There were no changes in Directors and Executive subsequent to year-end.

**DIRECTORS' REPORT  
31 DECEMBER 2020***Additional Information*

The earnings of the consolidated entity for the five years to 31 December 2020 are summarised below:

	<b>2020 AUD\$</b>	<b>2019 AUD\$</b>	<b>2018 AUD\$</b>	<b>2017 AUD\$</b>	<b>2016 AUD\$</b>
Sales revenue	8,369,654	8,768,192	9,551,000	10,603,000	21,808,000
(LBITDA)/EBITDA	(440,789)	(952,569)	(205,000)	251,000	5,034,000
(LBIT)/EBIT	(1,106,290)	(1,910,565)	(468,000)	33,000	4,857,000
(Loss)/Profit after income tax	(1,065,040)	(1,833,567)	(276,000)	588,000	5,087,000

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Share price at financial year end (AUD\$)	0.06	0.18	0.225	0.15	N/A
Total dividends declared (cents per share)	N/A	N/A	0.4	0.3	N/A
Basic earnings per share (cents per share)	(0.80)	(1.18)	(0.43)	(0.16)	1.80

***This concludes the remuneration report, which has been audited.***



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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**Shares under option**

The number of options exercisable as at the end of the reporting period was 2,173,333 (2019 – 6,340,109) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 1 to 3 years.

**Shares issued on the exercise of options**

There were no shares issued on the exercise of options during the financial year ended 31 December 2020.

**Indemnification and insurance of directors and officers**

The Company has made an agreement indemnifying all the Directors and Officers of the Company against losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Company to the extent permitted by the Corporations Act. The indemnification specifically excludes willful acts of negligence.

**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.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of Crowe Perth**

There are no officers of the Company who are former partners of Crowe Perth.

**Auditor's independence declaration**

The lead auditor's independence declaration for the year ended 31 December 2020 has been received and can be found on page 19 of the Annual Report.



**DIRECTORS' REPORT  
31 DECEMBER 2020**

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**Corporate Governance Statement**

The Company's directors and management are committed to conducting the business of the Group in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website ([www.i-synergygroup.com](http://www.i-synergygroup.com)) (the Website), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will identify each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

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 'Teo Chee Hong'.

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Dato' Teo Chee Hong  
Director  
31 March 2021

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of I Synergy Group Limited for the year ended 31 December 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.



**Crowe Perth**



**Sean McGurk**  
Partner

Signed at Perth, 31 March 2021



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		<b>The Group</b>	
	<b>Note</b>	<b>2020 AUD\$</b>	<b>2019 AUD\$</b>
Revenue	5	8,369,654	8,768,192
Cost of sales		(5,445,654)	(6,153,885)
Gross profit		2,924,000	2,614,307
Other income		111,660	195,136
Selling and distribution expenses		(64,761)	(688,235)
Administrative expenses		(3,992,772)	(3,883,523)
Finance cost		(10,023)	(24,584)
Loss before taxation		(1,031,896)	(1,786,899)
Income tax expense	7	(33,144)	(46,668)
Loss after taxation for the year		(1,065,040)	(1,833,567)
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		153,592	(406)
Total comprehensive loss for the year		(911,448)	(1,833,973)
(Loss)/Profit after taxation attributable to:			
Non-controlling interest		402,324	325,047
Owners of the Company		(1,467,364)	(2,158,614)
		(1,065,040)	(1,833,567)
Total comprehensive (loss)/income for the year attributable to:			
Non-controlling interest		280,852	356,161
Owners of the Company		(1,192,300)	(2,190,134)
		(911,448)	(1,833,973)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	8	(0.80)	(1.18)
Diluted loss per share	8	(0.80)	(1.18)

The annexed notes form an integral part of these financial statements.

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020**

		The Group	
	Note	2020 AUD\$	2019 AUD\$
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash and cash equivalents	9	4,950,699	6,219,559
Inventories	10	14,825	19,739
Trade receivables	11	86,719	504,823
Other receivables, deposits and prepayments	12	437,149	1,118,291
Current tax asset		279,199	214,883
		5,768,591	8,077,295
<u>Non-Current Assets</u>			
Equipment	14	692,669	1,473,146
Deferred tax asset	15	922,541	999,782
Right-of-use assets	16	133,979	532,040
Goodwill on consolidation	17	237,721	-
Development costs	18	120,771	-
		2,107,681	3,004,968
<b>TOTAL ASSETS</b>		7,876,272	11,082,263
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Trade payables	19	822,799	660,420
Other payables and accruals	20	1,561,840	2,089,079
Current tax liability		113,900	123,437
Deferred revenue	21	1,088,998	1,262,898
Lease liabilities	22	53,805	350,225
		3,641,342	4,486,059
<u>Non-Current Liabilities</u>			
Other payables	20	59,577	-
Deferred revenue	21	3,989,409	5,521,514
Lease liabilities	22	88,327	164,840
Deferred tax liabilities	23	16,301	-
		4,153,614	5,686,354
<b>TOTAL LIABILITIES</b>		7,794,956	10,172,413
<b>NET ASSETS</b>		81,316	909,850
<b>EQUITY</b>			
Share capital	24	2,442,013	2,442,013
Merger deficit	25	(1,042,123)	(1,042,123)
Foreign exchange translation reserve	26	280,576	5,512
Option reserve	27	136,712	513,438
Accumulated losses		(3,234,770)	(2,227,046)
		(1,417,592)	(308,206)
Equity attributable to owners of the Company		(1,417,592)	(308,206)
Non-controlling interest		1,498,908	1,218,056
<b>TOTAL EQUITY</b>		81,316	909,850

The annexed notes form an integral part of these financial statements.

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<b>The Group</b>	<b>Share Capital AUD\$</b>	<b>Merger Deficit * AUD\$</b>	<b>Foreign Exchange Translation Reserve AUD\$</b>	<b>Option Reserve AUD\$</b>	<b>Retained Earnings AUD\$</b>	<b>Attributable To Owners Of The Company AUD\$</b>	<b>Non- Controlling Interest AUD\$</b>	<b>Total Equity AUD\$</b>
Balance at 1.1.2020	2,442,013	(1,042,123)	5,512	513,438	(2,227,046)	(308,206)	1,218,056	909,850
(Loss)/Profit after taxation for the financial year	-	-	-	-	(1,467,364)	(1,467,364)	402,324	(1,065,040)
Other comprehensive income/(loss) for the financial year, net of tax:								
- Foreign currency translation differences	-	-	275,064	-	-	275,064	(121,472)	153,592
Total comprehensive income/(loss) for the financial year	-	-	275,064	-	(1,467,364)	(1,192,300)	280,852	(911,448)
Contributions by and distributions to owners of the Company:								
- Options to employees	-	-	-	82,914	-	82,914	-	82,914
- Options lapsed	-	-	-	(459,640)	459,640	-	-	-
Total transactions with owners	-	-	-	(376,726)	459,640	82,914	-	82,914
Balance at 31.12.2020	2,442,013	(1,042,123)	280,576	136,712	(3,234,770)	(1,417,592)	1,498,908	81,316

*Note:*

\* - arising from merger accounting.

The annexed notes form an integral part of these financial statements.



**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

<b>The Group</b>	<b>Share Capital AUD\$</b>	<b>Merger Deficit * AUD\$</b>	<b>Foreign Exchange Translation Reserve AUD\$</b>	<b>Option Reserve AUD\$</b>	<b>Retained Earnings AUD\$</b>	<b>Attributable To Owners Of The Company AUD\$</b>	<b>Non- Controlling Interest AUD\$</b>	<b>Total Equity AUD\$</b>
Balance at 1.1.2019	2,442,013	(1,042,123)	37,032	501,441	(68,432)	1,869,931	1,903,229	3,773,160
(Loss)/Profit after taxation for the financial year	-	-	-	-	(2,158,614)	(2,158,614)	325,047	(1,833,567)
Other comprehensive income for the financial year, net of tax:								
- Foreign currency translation differences	-	-	(31,520)	-	-	(31,520)	31,114	(406)
Total comprehensive (loss)/income for the financial year	-	-	(31,520)	-	(2,158,614)	(2,190,134)	356,161	(1,833,973)
Contributions by and distributions to owners of the Company:								
- Options to employees	-	-	-	11,997	-	11,997	-	11,997
- Dividend by a subsidiary to non-controlling interest	-	-	-	-	-	-	(1,041,334)	(1,041,334)
Total transactions with owners	-	-	-	11,997	-	11,997	(1,041,334)	(1,029,337)
Balance at 31.12.2019	2,442,013	(1,042,123)	5,512	513,438	(2,227,046)	(308,206)	1,218,056	909,850

Note:

\* - arising from merger accounting.

The annexed notes form an integral part of these financial statements.

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2020**

		The Group	
	Note	2020 AUD\$	2019 AUD\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Sale from customers		8,133,342	7,127,987
Payments to suppliers and employees		(8,479,324)	(8,244,021)
Cash used in from operations		(345,982)	(1,116,034)
Interest paid		(16,504)	(53,688)
Income tax paid		(88,327)	(140,986)
Net cash used in operating activities		(450,813)	(1,310,708)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		90,898	176,354
Proceeds from disposal of equipment		10,213	134,761
Purchase of equipment		(195,778)	(813,308)
Development costs paid		(134,099)	-
Acquisition of a subsidiary, net of cash and cash equivalents acquired		(83,586)	-
Net cash used in investing activities		(312,352)	(502,193)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid by a subsidiary to non-controlling interest		-	(1,041,334)
Purchase of own shares		-	-
Repayment of lease liabilities		(303,939)	(738,402)
Net cash used in financing activities		(303,939)	(1,779,736)
Net decrease in cash and cash equivalents		(1,067,104)	(3,592,637)
Effects of foreign exchange translation		(201,756)	(141,190)
Cash and cash equivalents at the beginning of the financial year		6,219,559	9,953,386
Cash and cash equivalents at the end of the financial year	9	4,950,699	6,219,559

The annexed notes form an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**1. GENERAL INFORMATION**

The Company is a public company limited by shares and is incorporated under the Corporations Act 2001. The domicile of the Company is Australia. The registered office and principal place of business are as follows:-

Registered office : Ground Floor, 16 Ord Street,  
West Perth, WA 6005.

Principal place of business : Unit 20-10, Tower A, The Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 31 March 2021.

**2. PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries is provision of affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Company during the year.

**3. BASIS OF PREPARATION**

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. They also comply with International Financial Reporting Standards.

**New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of the new or amended Accounting Standards and Interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

*Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Equipment

The Group determines whether its equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(c) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

(d) Amortisation of Development Costs

The estimates for the residual values, useful lives and related amortisation charges for the development costs are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

*Key Sources of Estimation Uncertainty (Cont'd)*

(e) Allocation of the Transaction Price to the Performance Obligations

When the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

If a standalone selling prices is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

Determining the appropriate amount to allocate to satisfied and unsatisfied performance obligations require judgments. Factors that management might consider when estimating the amount to allocate to the contract's performance obligations include historical data, expected renewal rates, budgets, data used to set the pricing terms of the contract arrangement and/or discussions with the customer during or after negotiations about the arrangement.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(g) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates.

(h) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

*Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

(a) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(b) Timing of satisfaction of Performance Obligation

The timing of revenue recognition will be subject to significant judgement, especially when the entity receives non-refundable upfront fees. Not all the indicators for transfer of control need to be present for an entity to conclude that it has transferred control to its customer. Significant judgment is required to determine if control has been transferred. For any licensing arrangements an entity needs to exercise significant judgement when determining whether the licence is a separate performance obligation within the contract and the appropriate timing of revenue recognition from such licences.

Assessment of performance obligations must be made at contract inception. Significant judgement is required when assessing the 'distinct' criteria for a promised good/service, especially in relation to determining whether the good/ service is 'distinct within the context of the contract'. An entity needs to carefully assess whether there are any implied promises in the contract as implied promises can lead to revenue deferral until the implied promise to transfer the good/service is met. Only those activities performed by an entity that result in the transfer of a good or service to a customer can give rise to a separate performance obligation. In some circumstances a careful analysis of activities is required to determine whether a separate performance obligation exists or whether the activity is part of delivering a performance obligation.

(c) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(d) Recovery of Deferred Tax Assets

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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 over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**Merger Accounting for Common Control Business Combinations**

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The financial statements have been prepared using merger accounting principles. This method has been used on the basis that the business combination involving the entities in the Group involves entities under common control. Consequently, the requirement of AASB 3 – *Business Combinations*, has not been applied.

Under the merger accounting principles, the acquirer accounts for the combination as follows:

- The assets and liabilities of the combining entities are recorded at their carrying amounts reported in the combined financial statements and not at fair value;
- Intangible assets and contingent liabilities are only recognised to the extent that they were recognised by the acquiree in accordance with applicable AASB's;
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately as a reserve (merger reserve);
- Any expenses of the combination are written off immediately in the statement of comprehensive income; and
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.2 BASIS OF CONSOLIDATION (CONT'D)**

*Business Combinations*

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

*Non-controlling Interests*

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*Changes in Ownership Interests in Subsidiaries Without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

*Loss of Control*

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.





**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.3 GOODWILL**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognized immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

**4.4 FUNCTIONAL AND FOREIGN CURRENCIES**

**(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

For the purposes of the Financial Statements, the presentation currency used is Australian Dollars.

**(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**(c) Foreign Operations**

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)**

**(c) Foreign Operations (Cont'd)**

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.5 FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in AASB 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in AASB 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the consolidated statement of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments*

**(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.5 FINANCIAL INSTRUMENTS (CONT'D)**

(a) Financial Assets (Cont'd)

(ii) Fair Value Through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(ii) Fair Value Through Profit or Loss ("FVTPL")

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPTL.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at FVTPL

FVTPL category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.5 FINANCIAL INSTRUMENTS (CONT'D)**

(a) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Repurchase of Share Capital

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.6 INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are stated at cost in the statement of financial position of the Company and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

**4.7 EQUIPMENT**

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment is stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Computers, handphone and printer	20%
Furniture and fittings	10%
Merchant equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovation *	10%
Signboard	10%

\* The renovation is depreciated over the shorter of the useful life or the expected term of the associated lease. The Group entered a renewed one-year lease on 1 January 2020 with a one-year option to extend, however the Group reasonably expect to continue to renew the lease for a period no shorter than 7 years.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.8 RESEARCH AND DEVELOPMENT EXPENDITURE**

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

**4.9 LEASES**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any incentives received.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.9 LEASES (CONT'D)**

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

**4.10 IMPAIRMENT**

**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.





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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.10 IMPAIRMENT (CONT'D)**

(a) Impairment of Financial Assets (Cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which AASB 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

**4.11 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.12 INCOME TAXES**

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

**4.14 EMPLOYEE BENEFITS**

**(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

**(b) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**(c) Share-based Payment Transactions**

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital or share premium if new ordinary shares are issued.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.15 RELATED PARTIES**

A party is related to an entity (referred to as the "reporting entity") if:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

**4.16 PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.17 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**4.18 REVENUE AND OTHER INCOME**

**(a) Revenue from Contracts with Customers**

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.18 REVENUE AND OTHER INCOME (CONT'D)**

(a) Revenue from Contracts with Customers (Cont'd)

*Recognition and Measurement (Cont'd)*

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and/or implied in the Group's customary business practices. A good or service is distinct if:

- (i) the customer can either benefit from the good or service on its own or together with other readily available resources; and
- (ii) the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or significantly modify, or highly interrelated with, other goods or services promised in the contract).

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a stand-alone selling price is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.



**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.18 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue from Contracts with Customers (Cont'd)

*Recognition and Measurement (Cont'd)*

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time.

Control over the goods or services are transferred over time and revenue is recognised over time if:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances a customer-controlled asset; or
- (iii) the Group's performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognized at the point in time at which the customer obtains control of the promised goods or services.

Specific revenue recognition criteria for each of the Group's activities are as described below.

(i) Revenue from software platform activation

Revenue from software platform activation is recognized upon the deployment of the platform's software and technology for the customer, namely the affiliates marketer uses to conduct offline and online marketing business. The deployment process is all of the activities undertaken to recognize the software platform according to specific characteristics of the program performance incentives as stipulated in the contract with affiliates and to activate some form of command relating to software component for affiliates execution when using the software platform. The performance obligation is satisfied at a point in time upon completion of the software deployment process.

(ii) Revenue from training and business support tool kit and related material

Revenue is recognised upon provision of training and training materials to the new affiliates. The performance obligation is satisfied at a point in time upon completion of the training course.



**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.18 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue from Contracts with Customers (Cont'd)

*Recognition and measurement (cont'd)*

(iii) Revenue from licence right to access

The licence arrangement gives the affiliates the right to access the platform services as it exists over certain period of time granted under the contract. The Group's performance obligation during the licensed period is provision of affiliate management services such as monitoring of transaction traffic conducted by referred customer and, coordination and execution of compensation payment of program fee to affiliate based on affiliates' program performance incentive terms and to customer based on affiliate program incentive.

The revenue from licence right to access is recognized over time when the Group met all the following criteria:

The Group will undertake either contractually or based on customary business practices activities that significantly affect the software platform to which the affiliate has rights.

- (a) the Group's activities do not otherwise transfer a good or services to the affiliates as they occur.
- (b) the rights granted by the licence directly expose the affiliates to both positive and negative effects of the activities on the software platform and the affiliates entered into the contract with the intent of being exposed to those effects.

Deferred revenue is licence fee received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. Licences that provide access are performance obligations satisfied over time and, therefore, deferred revenue is recognised over the license period.

(iv) Revenue from affiliate program

Revenue from affiliate program is determined based on total discount rate allocated by the customer, namely the merchant (also known as retailer or brand) computed based on each successful sale transaction referred.

(b) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods





**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.18 REVENUE AND OTHER INCOME (CONT'D)**

(c) Seminar and Event Activity Income

Seminar and event activity income are recognised upon rendering of services and when the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

(e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

**4.19 EARNINGS PER SHARE**

(a) Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

(b) Diluted earnings per share

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**4.20 BORROWING COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**4.21 CONTRACT ASSET AND CONTRACT LIABILITY**

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to AASB 9 – Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers. The entity has used "deferred revenue" heading to report contract liability as this better represents the nature of outstanding amounts.



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**5. REVENUE**

	The Group	
	2020 AUD\$	2019 AUD\$
<u>Revenue recognised at a point in time</u>		
Software activation	5,751,182	5,668,894
Training	931,525	1,251,666
Affiliate program fees	236,065	292,822
Seminar and event	71,514	175,007
Merchandise sales	16,525	43,730
	7,006,811	7,432,119
<u>Revenue recognised over time</u>		
License right to access	1,253,806	1,336,073
Subscription fee	109,037	-
	8,369,654	8,768,192

**6. LOSS BEFORE TAXATION**

	The Group	
	2020 AUD\$	2019 AUD\$
Loss before taxation is arrived at after charging/(crediting):		
Allowance for impairment losses on trade receivables	102,939	156,383
Amortisation of development costs	4,512	-
Audit fee	71,753	94,208
Bad debts written off	11,329	19,357
Depreciation of equipment	226,180	242,324
Depreciation of right of use	434,809	715,672
Deposits written off	52,031	-
Directors' remuneration:		
- salaries, bonuses and allowances	228,433	321,171
- defined contribution plan	36,371	20,393
Equipment written off	659,952	158,141
Interest expense on financial liability not at FVTPL:		
- hire purchase	-	12,794
- lease liabilities	13,042	39,894
- imputed interest on a long-term payable	3,462	-
Loss/(Gain) on disposal of equipment	21,119	(55,692)
Rental of equipment	10,114	81,661
Rental of premises	10,093	10,018
Staff costs:		
- salaries, bonuses, commissions and allowances	1,160,007	1,182,187
- defined contribution plan	101,134	123,140
- others	37,764	63,234
Gain on lease termination	(7,717)	-
Interest income on financial assets that are:		
- at FVTPL	(79,909)	(118,851)
- not at FVTPL	(10,989)	(57,503)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****7. INCOME TAX EXPENSE**

	<b>The Group</b>	
	<b>2020 AUD\$</b>	<b>2019 AUD\$</b>
Income tax expense:		
- for the financial year	2,535	3,267
- under provision in previous financial years	13,118	29,160
	15,653	32,427
Deferred tax asset:		
- for the financial year	-	109,849
- overprovision in previous financial years	-	(95,608)
	-	14,241
Deferred tax liabilities:		
- for the financial year	17,491	-
	17,491	-
	33,144	46,668

A reconciliation of the income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	<b>The Group</b>	
	<b>2020 AUD\$</b>	<b>2019 AUD\$</b>
Loss before taxation	(1,031,896)	(1,787,899)
Tax at the statutory tax rates	(247,655)	(428,856)
Tax effects of:		
Tax incentive for pioneer products	(321,022)	(260,783)
Non-deductible expenses	329,362	277,122
Non-taxable income	-	(28,665)
Deferred tax assets not recognised	262,109	552,978
Utilisation of deferred tax assets previously not recognised	-	1,320
Underprovision in previous financial years:		
- current tax	10,350	29,160
- deferred tax	-	(95,608)
Income tax expense for the financial year	33,144	46,668

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****8. LOSS PER SHARE**

	The Group	
	2020 AUD\$	2019 AUD\$
Loss after taxation	(1,065,040)	(1,833,567)
Non-controlling interest	(402,324)	(325,047)
Loss after taxation attributable to the owners of the parent	<u>(1,467,364)</u>	<u>(2,158,614)</u>

	The Group	
	2020 Number	2019 Number
<u>Basic loss per share</u> Weighted average number of ordinary shares used in calculating basic loss per share	183,268,088	183,148,636
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	<u>(0.80)</u>	<u>(1.18)</u>

	The Group	
	2020 Number	2019 Number
<u>Diluted loss per share</u> Weighted average number of ordinary shares used in calculating basic loss per share	183,268,088	183,148,636
	<b>Cents</b>	<b>Cents</b>
Diluted loss per share	<u>(0.80)</u>	<u>(1.18)</u>

**9. CASH AND CASH EQUIVALENTS**

	The Group	
	2020 AUD\$	2019 AUD\$
Short-term investments with financial institutions, at fair value	1,868,904	2,359,289
Cash and bank balances	3,081,795	3,860,270
	<u>4,950,699</u>	<u>6,219,559</u>
Market value of short-term investments	<u>1,868,904</u>	<u>2,359,289</u>

The short-term investments are highly liquid investments in fixed income securities, Islamic money market fund and money market instruments that are readily convertible to known amounts of cash.



**NOTES TO THE FINANCIAL STATEMENTS  
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**10. INVENTORIES**

	The Group	
	2020 AUD\$	2019 AUD\$
At cost:- Merchandise held for sale	14,825	19,739
Recognised in profit or loss: Inventories recognised as cost of sales	8,859	16,544

None of the inventories are stated at net realisable value.

**11. TRADE RECEIVABLES**

	The Group	
	2020 AUD\$	2019 AUD\$
Trade receivables	536,945	888,776
Allowance for expected credit losses	(450,226)	(383,953)
	86,719	504,823
Allowances for expected credit losses: At 1.1 2020/2019	(383,953)	(222,834)
Addition during the financial year	(102,939)	(156,383)
Foreign exchange translation differences	36,666	(4,736)
At 31.12.2020/2019	(450,226)	(383,953)

The Group's normal trade credit terms range from 30 to 60 (2019 - 30 to 60) days.

**12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	The Group	
	2020 AUD\$	2019 AUD\$
Other receivables	106,545	450,260
Deposits	115,303	286,909
Prepayments	215,301	381,122
	437,149	1,118,291

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****13. CONTROLLED ENTITIES**

Details of the subsidiaries are as follows:

	Country of Incorporation	Effective Equity Interest		Principal Activities
		2020 %	2019 %	
I Synergy (Singapore) Pte Ltd ("ISS")	Singapore	100	100	Investment holding.
<i>Held by ISS</i>				
I Synergy Consolidated Sdn Bhd ("ISC")	Malaysia	100	100	Investment holding.
PT Inovatif Sinergi Internasional ("PTISI")	Indonesia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
<i>Held by ISC</i>				
I Synergy International (M) Sdn Bhd ("ISI")	Malaysia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
I Synergy Universal Sdn Bhd ("ISU")	Malaysia	70	70	Research, development, maintenance and commercialisation of proprietary affiliate marketing platform.
I Synergy Edutech Sdn Bhd ("ISE")	Malaysia	100	100	Research, development, maintenance and commercialisation of proprietary learning management system.
I Synergy Rewards Sdn Bhd ("ISR")	Malaysia	100	100	Business of retail affiliate marketing and related affiliate services for commercial industry.
Ocean Nexus Sdn Bhd ("ONSB")	Malaysia	100	-	Customised software design and development services and solutions.

**NOTES TO THE FINANCIAL STATEMENTS  
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During the financial period, ISC has executed and an agreement to acquire the entire issued capital of Ocean Nexus Sdn. Bhd. ("Ocean Nexus") ("Agreement") which is principally engaged in the business of providing customised software design and development services and solutions to customers for the purchase price comprising circa AUD\$282,000 cash and equity over the following components (together, the "Balance Purchase Price"):

- i. An upfront cash payment of RM200,000 (~AUD\$75,000) which will be paid immediately;
- ii. The balance of the purchase price of RM500,000 (AUD\$207,000) is to be paid by 437,500 fully paid ordinary shares which equates to AUD\$87,500 and deferred milestone consideration of AUD\$113,000;
- iii. One year after the Agreement execution date, the Company is to issue a fixed numbers 437,500 fully paid ordinary shares to the vendors at a deemed value of AUD\$0.20 per share for a total deemed value of AUD\$94,000 (being a deemed equivalent value of RM250,000). These shares will be issued under the Company's 15% capacity under ASX Listing Rule 7.1; and
- iv. As deferred milestone consideration, the Company is to immediately deposit RM300,000 (~AUD\$113,000) to an interest-bearing solicitor's trust account, with RM100,000 in cash to be released (together with interest earned) to the vendors each year on each anniversary of the execution date for three anniversary years of 2021, 2022 and 2023.

The non-controlling interest at the end of the reporting period comprises the following:

	Effective Equity Interest		The Group	
	2020 %	2019 %	2020 AUD\$	2019 AUD\$
ISU	30	30	1,498,908	1,218,056

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**NOTES TO THE FINANCIAL STATEMENTS  
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The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interest that are material to the Group is as follows:

	2020 AUD\$	ISU	2019 AUD\$
<u>At 31 December</u>			
Non-current assets	355,568		270,846
Current assets	4,664,095		3,846,541
Non-current liabilities	(7,132)		-
Current liabilities	(16,173)		(57,200)
Net assets	<u>4,996,358</u>		<u>4,060,187</u>
Financial Year Ended 31 December			
Revenue	1,898,826		1,699,352
Profit for the financial year	1,341,080		1,083,491
Total comprehensive income	<u>935,407</u>		<u>1,114,605</u>
Total comprehensive income attributable to non-controlling interest	<u>280,852</u>		<u>356,161</u>
Net cash (used in)/from operating activities	(687,134)		1,079,350
Net cash from/(used in) investing activities	374,875		(178,515)
Net cash from/(used in) financing activities	<u>38,997</u>		<u>(3,374,828)</u>





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**NOTES TO THE FINANCIAL STATEMENTS  
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**14. EQUIPMENT**

	At 1.1.2020 AUD\$	Additions AUD\$	Written Off AUD\$	Disposal AUD\$	Acquisition of a subsidiary AUD\$	Depreciation Charges AUD\$	Foreign Currency Translation Difference AUD\$	At 31.12.2020 AUD\$
<b>The Group</b>								
<b>2020</b>								
Computers, handphone and printer	317,108	124,754	(18,744)	(381)	-	(99,028)	(25,032)	298,677
Furniture and fittings	58,005	1,027	(21,280)	(10,348)	-	(7,852)	(2,138)	17,414
Merchant equipment	104,447	-	(89,810)	-	-	(13,602)	(1,035)	-
Motor vehicles	187,917	69,047	-	-	-	(39,848)	(16,505)	200,611
Office equipment	164,920	-	(65,641)	(18,386)	-	(21,085)	(6,509)	53,299
Renovation	620,251	949	(446,440)	(2,030)	3,976	(43,191)	(10,847)	122,668
Signboard	20,498	-	(18,037)	-	-	(1,575)	(886)	-
	<b>1,473,146</b>	<b>195,777</b>	<b>(659,952)</b>	<b>(31,145)</b>	<b>3,976</b>	<b>(226,181)</b>	<b>(62,952)</b>	<b>692,669</b>

	As Previously Reported AUD\$	1.1.2019 Initial Application of AASB 16 AUD\$	At 1.1.2019 AUD\$	Additions AUD\$	Written Off AUD\$	Disposal AUD\$	Depreciation Charges AUD\$	Foreign Currency Translation Difference AUD\$	At 31.12.2019 AUD\$
<b>The Group</b>									
<b>2019</b>									
Computers, handphone and printer	86,949	-	86,949	288,790	-	-	(61,507)	2,876	317,108
Furniture and fittings	59,320	-	59,320	9,077	(33)	(2,251)	(9,882)	1,774	58,005
Merchant equipment	120,586	-	120,586	-	-	-	(18,234)	2,095	104,447
Motor vehicles	370,918	(259,487)	111,431	194,538	-	(76,511)	(43,911)	2,370	187,917
Office equipment	115,948	-	115,948	68,819	-	-	(22,942)	3,095	164,920
Renovation	599,533	-	599,533	249,906	(157,793)	-	(83,072)	11,677	620,251
Signboard	21,149	-	21,149	2,178	(315)	-	(2,776)	262	20,498
	<b>1,374,403</b>	<b>(259,487)</b>	<b>1,114,916</b>	<b>813,308</b>	<b>(158,141)</b>	<b>(78,762)</b>	<b>(242,324)</b>	<b>24,149</b>	<b>1,473,146</b>



**NOTES TO THE FINANCIAL STATEMENTS  
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**14. EQUIPMENT (CONT'D)**

<b>The Group</b>	<b>At Cost AUD\$</b>	<b>Accumulated Depreciation AUD\$</b>	<b>Net Book Value AUD\$</b>
<b>2020</b>			
Computers, handphone and printer	605,918	(307,241)	298,677
Furniture and fittings	44,283	(26,869)	17,414
Merchant equipment	-	-	-
Motor vehicles	429,924	(229,313)	200,611
Office equipment	90,764	(37,465)	53,299
Renovation	154,138	(31,470)	122,668
Signboard	528	(528)	-
	<b>1,325,555</b>	<b>(632,886)</b>	<b>692,669</b>

<b>The Group</b>	<b>At Cost AUD\$</b>	<b>Accumulated Depreciation AUD\$</b>	<b>Net Book Value AUD\$</b>
<b>2019</b>			
Computers, handphone and printer	564,642	(247,534)	317,108
Furniture and fittings	99,783	(41,778)	58,005
Merchant equipment	140,434	(35,987)	104,447
Motor vehicles	374,234	(186,317)	187,917
Office equipment	230,014	(65,094)	164,920
Renovation	846,297	(226,046)	620,251
Signboard	28,699	(8,201)	20,498
	<b>2,284,103</b>	<b>(810,957)</b>	<b>1,473,146</b>

The motor vehicles with a total net book value of AUD\$194,241 (2019 - AUD\$179,303) are held in trust by a director of the Company.



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**15. DEFERRED TAX ASSETS**

	The Group	
	2020 AUD\$	2019 AUD\$
At 1.1.2020/2019	999,782	996,097
Recognised in profit or loss	-	(14,241)
Foreign currency translation differences	(77,241)	17,926
	<u>922,541</u>	<u>999,782</u>

The deferred tax assets represented by:-

	The Group	
	2020 AUD\$	2019 AUD\$
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates – Deferred Revenue	712,153	1,027,773
Deductible temporary differences arising from tax paid in advance on the prepaid credit fees received in advance from merchants	95,174	-
Impairment loss on receivables	108,253	-
Accelerated capital allowance over depreciation	6,961	(27,991)
	<u>922,541</u>	<u>999,782</u>

**16. RIGHT-OF-USE ASSETS**

	At 1.1.2020 AUD\$	Additions AUD\$	Depreciation Charges AUD\$	Derecognition due to lease termination AUD\$	Foreign Currency Translation Difference AUD\$	At 31.12.2020 AUD\$
<b>The Group</b>						
<b>2020</b>						
<i>Carrying Amount</i>						
Office premises	331,013	233,085	(372,288)	(182,031)	(3,028)	6,751
Motor vehicles	201,027	-	(62,521)	-	(11,278)	127,228
	<u>532,040</u>	<u>233,085</u>	<u>(434,809)</u>	<u>(182,031)</u>	<u>(14,306)</u>	<u>133,979</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**16. RIGHT-OF-USE ASSETS (CONT'D)**

	←----- 1.1.2019 ----->			Depreciation Charges AUD\$	Foreign Currency Translation Difference AUD\$	At 31.12.2019 AUD\$
	As previously reported AUD\$	Initial application of AASB 16 AUD\$	As restated AUD\$			
<b>The Group</b>						
<b>2019</b>						
<i>Carrying Amount</i>						
Office premises	-	930,725	930,725	(652,811)	53,099	331,013
Motor vehicles	-	259,487	259,487	(62,861)	4,401	201,027
	-	1,190,212	1,190,212	(715,672)	57,500	532,040

The Group leases various office premises and motor vehicles of which the leasing activities are summarised below:-

- (i) Office premises                      The Group has leased a number of properties that run between 1 year and 2 years, with an option to renew the lease after that date.
- (ii) Motor vehicle                         The Group has leased its motor vehicles under hire purchase arrangements. The lease are secured by the leased assets. The Group has an option to purchase the assets at the expiry of the lease period at an insignificant amount.

The motor vehicles with a total net book value of AUD\$126,000 (2019 - AUD\$201,000) are held in trust by a director of the Company.

**17. GOODWILL ON CONSOLIDATION**

	The Group	
	2020 AUD\$	2019 AUD\$
At 1.1.2020/2019	-	-
Acquisition of a subsidiary	237,721	-
At 31.12.2020/2019	237,721	-

The amount of goodwill relates to the customized software design and development cash-generating unit. The goodwill arose from the investment in subsidiary and is reviewed for impairment annually.

The Group has assessed the recoverable amount of goodwill and determined that no impairment is required. The recoverable amount of the customized software design and development cash-generating unit is computed using the value in use approach, and this is derived from the present value of the future cash flows from the cash-generating unit based on the projections of financial budgets approved by management covering a period of 3 years. The key assumptions used in the determination of the recoverable amount are as follows:

	Gross Margin		Growth Rate		Discount Rate	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Customized software design and development	15	N/A	5	N/A	6.82	N/A

**NOTES TO THE FINANCIAL STATEMENTS  
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- |                               |   |
|-------------------------------|---|
| (i) Budgeted gross margin     | Average gross margin achieved in 5 year immediately before the period increased for expected efficiency improvements and cost saving measures.  |
| (ii) Growth rate              | Based on the expected projection of the customised software design and development business.  |
| (iii) Discount rate (pre-tax) | Reflects specific risks relating to the relevant cash-generating unit.  |
| (iv) Sensitivity to changes   | The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to exceed its recoverable amount. |

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

**18. DEVELOPMENT COSTS**

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD\$</b>	<b>AUD\$</b>
Cost:		
At 1.1.2020/2019	-	-
Additions during the financial year	134,099	-
Foreign currency translation differences	(9,122)	-
	<hr/>	<hr/>
At 31.12.2020/2019	124,977	-
Accumulated amortisation:		
At 1.1.2020/2019	-	-
Amortisation during the financial year	(4,512)	-
Foreign currency translation differences	306	-
	<hr/>	<hr/>
At 31.12.2020/2019	(4,206)	-
	<hr/>	<hr/>
	120,771	-
	<hr/>	<hr/>
Included in additions during the financial year are:		
Staff costs	134,099	-
	<hr/>	<hr/>

The development costs are in respect of the software development of the affiliate marketing solutions and other related services.

**19. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 60 (2019 - 30 to 60) days.

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**NOTES TO THE FINANCIAL STATEMENTS  
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	The Group	
	2020 AUD\$	2019 AUD\$
<u>Current</u>		
Other payables	1,284,847	1,916,894
Deposits received	77,130	85,459
Accruals	199,863	86,726
	<u>1,561,840</u>	<u>2,089,079</u>
<u>Non-current</u>		
Other payables	<u>59,577</u>	<u>-</u>

Included in other payables (current portion) of the Group is commission payable to affiliates amounting to approximately AUD\$651,230 (2019 – AUD\$1,146,002).

The other payables (non-current) represent balance purchase price acquisition of a subsidiary which repayable in 2022 and 2023 and measured at amortised cost at an imputed rate of 4.62% (2019 - nil) per annum. The amount owing is to be settled in cash.

**21. DEFERRED REVENUE**

	The Group	
	2020 AUD\$	2019 AUD\$
License right to access:		
Current liabilities	1,088,998	1,262,898
Non-current liabilities	3,989,409	5,521,514
	<u>5,078,407</u>	<u>6,784,412</u>

Deferred revenue represents the amount of transaction price received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. The software platform license provides for the rights to access the Group's affiliate marketing system as it exists throughout the licensed period. Licences that provide access are performance obligations satisfied over a certain period of time (between 3 years to 10 years) and, therefore, deferred revenue is recognised over that licensed period.

The significant changes in the deferred revenue balance during the financial year are summarised below:

	The Group	
	2020 AUD\$	2019 AUD\$
Deferred revenue balance at the beginning of the financial year recognised as revenue	<u>1,250,388</u>	<u>1,333,192</u>



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**21. DEFERRED REVENUE (CONT'D)**

The following table shows revenue expected to be recognised in the future related to performance obligation that are unsatisfied (or partially satisfied) at the reporting date:

	The Group	
	2020 AUD\$	2019 AUD\$
Financial year ending 31 December 2020	-	1,262,898
Financial year ending 31 December 2021	1,088,998	1,183,631
Financial year ending 31 December 2022	1,044,043	1,149,368
Financial year ending 31 December 2023	1,042,670	1,129,969
Financial year ending 31 December 2024	862,608	934,831
Financial year ending 31 December 2025	582,804	631,600
Financial year ending 31 December 2026	329,948	357,573
Financial year ending 31 December 2027	106,866	115,814
Financial year ending 31 December 2028	20,470	18,728
	5,078,407	6,784,412

**22. LEASE LIABILITIES**

	The Group	
	2020 AUD\$	2019 AUD\$
At 1.1.2020/2019	515,066	-
Initial application of AASB 16	-	1,296,765
Additions	136,229	-
Repayment of principal	(303,939)	(738,402)
Derecognition due to lease termination	(189,748)	-
Foreign currency translation differences	(15,476)	(43,298)
At 31.12.2020/2019	142,132	515,065
<i>Analysed by:-</i>		
<i>Current liabilities</i>	53,805	350,225
<i>Non-current liabilities</i>	88,327	164,840
	142,132	515,065

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**NOTES TO THE FINANCIAL STATEMENTS  
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	The Group	
	2020 AUD\$	2019 AUD\$
At 1.1.2020/2019	-	-
Recognised in profit or loss	17,491	-
Foreign currency translation differences	(1,190)	-
	<u>16,301</u>	<u>-</u>
At 31.12.2020/2019	<u>16,301</u>	<u>-</u>

The deferred tax liabilities relate to temporary differences between depreciation and capital allowances on qualifying costs of equipment.

**24. SHARE CAPITAL**

	The Group/The Company			
	2020 Number of Shares	2019	2020 AUD\$	2019 AUD\$
<b>Fully Paid-Up Ordinary Shares</b>				
At 1.1.2020/2019	183,268,088	183,068,088	2,442,013	2,442,013
Issuance of new shares	-	200,000	-	-
At 31.12.2020/2019	<u>183,268,088</u>	<u>183,268,088</u>	<u>2,442,013</u>	<u>2,442,013</u>

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

**25. MERGER DEFICIT**

The merger deficit relates to the subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of subsidiaries and the nominal value of the shares acquired.

**26. FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.





**NOTES TO THE FINANCIAL STATEMENTS  
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**27. OPTION RESERVE**

The option reserve represents the equity-settled option granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled option and is reduced by the expiry or exercise of the options and performance rights.

The Group provides benefits to employees of the Group in the form of share-based payments, whereby the employees render services in exchange for share options and performance rights over shares. The total equity-settled share-based payment expense for the financial year AUD\$82,914 (2019 - AUD\$11,997).

Option

The option price and the details in the movement of the options granted are as follows:

Date of Offer	Number of Options Granted	Exercise Price	Vesting and Exercise Date	Expiry Date	← Number of Options Over Ordinary Shares →				
					At	Granted	Vested	Lapsed	At
					1.1.2020				31.12.2020
30.3.2017	1,100,000	AUD\$0.30	3 years	29.3.2022	1,100,000	-	-	(300,000)	800,000
30.3.2017	5,540,109	AUD\$0.30	3 years	29.3.2022	5,540,109	-	-	(5,540,109)	-
15.1.2019	4,810,000	AUD\$0.30	3 years	14.1.2024	4,810,000	-	-	(690,000)	4,120,000
29.5.2019	300,000	AUD\$0.30	3 years	28.5.2022	300,000	-	-	(300,000)	-
	<u>11,750,109</u>				<u>11,750,109</u>	-	-	<u>(6,830,109)</u>	<u>4,920,000</u>

The option price and the details in the movement of the options vested are as follows:

Date of Offer	Number of Options Granted	Exercise Price	Vesting and Exercise Date	Expiry Date	← Number of Options Over Ordinary Shares →				
					At	Vested	Exercised	Lapsed	At
					1.1.2020				31.12.2020
30.3.2017	1,100,000	AUD\$0.30	3 years	29.3.2022	800,000	300,000	-	(300,000)	800,000
30.3.2017	5,540,109	AUD\$0.30	3 years	29.3.2022	5,540,109	-	-	(5,540,109)	-
15.1.2019	4,810,000	AUD\$0.30	3 years	14.1.2024	-	1,473,333	-	(100,000)	1,373,333
29.5.2019	300,000	AUD\$0.30	3 years	28.5.2022	-	100,000	-	(100,000)	-
	<u>11,750,109</u>				<u>6,340,109</u>	<u>1,873,333</u>	-	<u>(6,040,109)</u>	<u>2,173,333</u>

Performance Right

The details in the movement of the performance rights granted are as follows:

Date of Offer	Class	Number of Performance Right Granted	Terms	← Number of Options Over Ordinary Shares →				
				At	Granted	Vested	Lapsed	At
				1.1.2020				31.12.2020
30.3.2017	C	200,000	1	200,000	-	-	(200,000)	-
				<u>200,000</u>	-	-	<u>(200,000)</u>	-

Note:

<sup>1</sup> - The holder remains engaged by the Company for 3 years from 30 March 2017.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****27. OPTION RESERVE (CONT'D)**

The details in the movement of the performance rights vested are as follows:

Date of Offer	Class	Number of Performance Right Granted	← Number of Options Over Ordinary Shares →				
			At 1.1.2020	Vested	Exercised	Lapsed	At 31.12.2020
30.3.2017	C	200,000	-	200,000	-	(200,000)	-

No person to whom the share option and performance rights has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

The number of options exercisable as at the end of the reporting period was 2,173,333 (2019 – 6,340,109) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 3 months to 3 years.

There was no equity-settled option granted during the financial year (2019 – 5,110,000).

The fair values of the share options vested were estimated using a Black-Scholes model, taking into account the terms and conditions upon which the options were vested. The fair value of the share options measured at vesting date and the assumptions used are as follows:-

	The Group/ The Company	
	2020	2019
Fair value of share options at the grant date (AUD\$)	0.04	0.04
Weighted average ordinary share price (AUD\$)	0.14	0.14
Exercise price of share option (AUD\$)	0.30	0.30
Expected volatility (%)	57.99	57.99
Expected life (years)	5	5
Risk free rate (%)	1.07	1.07
Expected dividend yield (%)	2.22	2.22

**NOTES TO THE FINANCIAL STATEMENTS  
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On 17 March 2020, the Company has executed an agreement to acquire the entire issued capital of Ocean Nexus Sdn. Bhd. ("ONSB") ("Agreement") which is principally engaged in the business of providing customised software design and development services and solutions to customers for the purchase price comprising circa AUD\$282,000 cash and equity over the following components (together, the "Balance Purchase Price"):

- i. An upfront cash payment of RM200,000 (~AUD\$75,000) which will be paid immediately;
- ii. The balance of the purchase price of RM500,000 (AUD\$207,000) is to be paid by 437,500 fully paid ordinary shares which equates to AUD\$87,500 and deferred milestone consideration of AUD\$113,000;
- iii. One year after the Agreement execution date, the Company is to issue a fixed number of 437,500 fully paid ordinary shares to the vendors at a deemed value of AUD\$0.20 per share for a total deemed value of AUD\$94,000 (being a deemed equivalent value of RM250,000). These shares will be issued under the Company's 15% capacity under ASX Listing Rule 7.1; and
- iv. As deferred milestone consideration, the Company is to immediately deposit RM300,000 (~AUD\$113,000) to an interest-bearing solicitor's trust account, with RM100,000 in cash to be released (together with interest earned) to the vendors each year on each anniversary of the execution date for three anniversary years of 2021, 2022 and 2023.

The acquisition is expected to enable the Group to have technical IT expertise within the Group rather than externally contracted and will strengthen our group IT capabilities in the ecommerce area.

The fair value of the identifiable assets acquired and liabilities assumed are as follows:

	<b>The Group AUD\$</b>
Plant and equipment	3,976
Trade receivables	2,634
Other receivables, deposits and prepayments	4,842
Cash and cash equivalents	5,581
Other payables and accruals	(30,903)
Net identifiable assets acquired	(13,870)
Add: Goodwill on acquisition of a subsidiary	237,721
Total purchase consideration, to be settled by cash	223,851
Less: Total purchase consideration, to be settled by deferred payment	(134,684)
Less: Cash and cash equivalents of a subsidiary acquired	(5,581)
	<u>83,586</u>

The goodwill is attributable to the new subsidiary's strong position in the software and IT capability software development activities and the synergies expected to arise after the acquisition which will enhance its revenue generating potential. The goodwill is not deductible for tax purposes.

**NOTES TO THE FINANCIAL STATEMENTS  
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## (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

## (b) Related Party Transactions and Balances

The Group carried out the following transactions with the related parties during the financial year:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD\$</b>	<b>AUD\$</b>
Triple Gem Sdn Bhd (Director-related entity of Dato' Teo Chee Hong) - Office rental	167,636	183,004
Ventnor Capital Pty Ltd (Director related entity of Morgan Barron) - Company secretarial services	36,360	42,825

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

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

*Triple Gem Sdn Bhd*

Triple Gem Sdn. Bhd, a company which is wholly owned by Dato' Teo Chee Hong, provided office accommodation to the Group during the financial year. A total amount of AUD\$168,000 (2019 - AUD\$183,000) was paid to Triple Gem Sdn Bhd for the year ended 31 December 2019, with no amount outstanding at 31 December 2020 (2019 - AUD\$99,851) as current lease liability.

*Ventnor Capital Pty Ltd*

Ventnor Capital Pty Ltd, a company in which Morgan Barron is a significant shareholder, provided company secretarial services to the Group during the financial year. A total amount of AUD\$36,360 (2019 – AUD\$42,825) was paid to Ventnor Capital Pty Ltd for the year ended 31 December 2020, with an amount of AUD\$3,000 outstanding at 31 December 2020 (2019 - AUD\$3,500) as current other payable.

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## (c) Key Management Personnel Compensation

	The Group	
	2020 AUD\$	2019 AUD\$
Key management personnel compensation (including directors' remuneration):		
- short-term employee benefits	362,095	489,702
- share options	23,994	-
- define contribution plan	35,269	42,416
	<u>421,358</u>	<u>532,118</u>

**30. REMUNERATION OF AUDITORS**

During the financial year, the following fees were paid or payable for services provided by Crowe Horwath Perth, the auditor of the Company and its network firms:

	The Group	
	2020 AUD\$	2019 AUD\$
<i>Audit services – Crowe Perth</i>		
Audit and/or review of the financial statements	<u>37,000</u>	<u>49,990</u>
<i>Audit services - network firms</i>		
Audit and/or review of the financial statements	<u>28,309</u>	<u>40,091</u>
<i>Other services - network firms</i>		
Tax compliance	<u>10,530</u>	<u>10,067</u>
	<u>10,530</u>	<u>10,067</u>
Sub-total	<u>38,839</u>	<u>50,158</u>
Total	<u>75,839</u>	<u>100,058</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian Accounting Standards and Interpretations.

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD\$</b>	<b>AUD\$</b>
<i>Statement of Financial Position</i>		
Total current assets	1,730,867	1,970,987
Total assets	1,730,867	1,970,987
Total current liabilities	27,394	68,360
Total liabilities	27,394	68,360
Net Assets	<u>1,703,473</u>	<u>1,902,627</u>
Equity		
Share capital	2,442,013	2,442,013
Accumulated losses	(875,252)	(1,052,824)
Option reserve	136,712	513,438
Total equity	<u>1,703,473</u>	<u>1,902,627</u>
<i>Statement of Profit or Loss and Other Comprehensive Income</i>		
Loss after income tax	(282,067)	(327,070)
Total comprehensive expense	<u>(282,067)</u>	<u>(327,070)</u>

*Contingent Liabilities*

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2019 - Nil).

*Contractual Commitments*

At the end of the reporting period, I Synergy Group Limited had not entered into any contractual commitments (2019 - Nil).

*Significant Accounting Policies*

The accounting policies of the parent entity are consistent with those of the consolidated entities as disclosed throughout the report.



**NOTES TO THE FINANCIAL STATEMENTS  
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**32. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**32.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

*Foreign Currency Exposure*

The Group	Australia Dollar AUD\$	Singapore Dollar AUD\$	United State Dollar AUD\$	Indonesian Rupiah AUD\$	Ringgit Malaysia AUD\$	Total AUD\$
<b>2020</b>						
<b>Financial Assets</b>						
Trade receivables	-	-	-	21,312	65,407	86,719
Other receivables and deposits	-	-	-	6,543	215,305	221,848
Cash and cash equivalents	770,044	47,820	45,342	26,917	4,060,576	4,950,699
	<b>770,044</b>	<b>47,820</b>	<b>45,342</b>	<b>54,772</b>	<b>4,341,288</b>	<b>5,259,265</b>
<b>Financial Liabilities</b>						
Trade payables	-	-	-	-	822,799	822,799
Other payables and accruals	27,185	3,925	-	(9,769)	1,600,077	1,621,418
	<b>27,185</b>	<b>3,925</b>	<b>-</b>	<b>(9,769)</b>	<b>2,422,876</b>	<b>2,444,217</b>
Net financial assets	742,859	43,895	45,342	64,541	1,918,412	2,815,049
Less: Net financial assets denominated in the respective entities' functional currencies	(709,521)	(11,651)	-	(64,541)	(1,918,412)	(2,704,125)
Currency Exposure	33,338	32,244	45,342	-	-	110,924



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**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

The Group	Australia Dollar AUD\$	Singapore Dollar AUD\$	United State Dollar AUD\$	Indonesian Rupiah AUD\$	Ringgit Malaysia AUD\$	Total AUD\$
<b>2019</b>						
<b>Financial Assets</b>						
Trade receivables			-	26,548	478,275	504,823
Other receivables and deposits	176,284	2,118	-	32,845	525,922	737,169
Cash and cash equivalents	787,274	50,517	49,846	194,039	5,137,883	6,219,559
	963,558	52,635	49,846	253,432	6,142,080	7,461,551
<b>Financial Liabilities</b>						
Trade payables	-	-	-	-	660,420	660,420
Other payables and accruals	68,360	4,501	-	17,006	1,999,212	2,089,079
Hire purchase payables	-	-	-	-	172,799	172,799
	68,360	4,501	-	17,006	2,832,431	2,922,298
Net financial assets	895,198	48,134	49,846	236,426	3,309,649	4,539,253
Less: Net financial assets denominated in the respective entities' functional currencies	(861,861)	(13,005)	-	(236,426)	(3,309,649)	(4,420,941)
Currency Exposure	33,337	35,129	49,846	-	-	118,312

*Foreign  
Currency Risk Sensitivity Analysis*

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.





**NOTES TO THE FINANCIAL STATEMENTS  
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**32. FINANCIAL INSTRUMENTS (CONT'D)**

**32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined under AASB 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables, and debt investments. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD\$</b>	<b>AUD\$</b>
Malaysia	65,407	478,275
Indonesia	21,312	26,548
	86,719	504,823

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**NOTES TO THE FINANCIAL STATEMENTS  
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**32. FINANCIAL INSTRUMENTS (CONT'D)**

**32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost, contract assets and debt investments at fair value through profit or loss are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

*Trade Receivables*

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than a year are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under AASB 9 for trade receivables are summarised below:



**NOTES TO THE FINANCIAL STATEMENTS  
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**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

*Trade Receivables (Cont'd)*

The Group	Gross Amount AUD\$	Lifetime Loss Allowance AUD\$	Carrying Amount AUD\$
<b>2020</b>			
Current (not past due)	56,276	-	56,276
1 to 30 days past due	20	-	20
31 to 60 days past due	78	-	78
61 to 90 days past due	-	-	-
More than 91 days past due	480,572	-	480,572
	536,946	-	536,946
Credit impaired: - individually impaired	(450,227)	-	(450,227)
	86,719	-	86,719
<b>2019</b>			
Current (not past due)	353,604	-	353,604
1 to 30 days past due	-	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
More than 91 days past due	535,172	-	535,172
	888,776	-	888,776
Credit impaired: - individually impaired	(383,953)	-	(383,953)
	504,823	-	504,823

The movements in the loss allowances in respect of trade receivables are disclosed in Note 11 to the financial statements.

*Other Receivables*

Other receivables are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial and hence, it is not provided for.

*Fixed Deposits with Licensed Banks, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates based on the rates at the end of the reporting period):

The Group	Effective Interest Rates %	Carrying Amount AUD\$	Contractual Undiscounted Cash Flows AUD\$	Within 1 Year AUD\$	1- 5 Years AUD\$	More Than 5 Years AUD\$
<b>2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	822,799	822,799	822,799	-	-
Other payables and accruals	-	1,621,417	1,630,887	1,561,840	69,047	-
Lease liabilities	-	142,132	158,325	59,091	99,234	-
		<b>2,586,348</b>	<b>2,612,011</b>	<b>2,443,730</b>	<b>168,281</b>	<b>-</b>
<b>2019</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	660,420	660,420	660,420	-	-
Other payables and accruals	-	2,089,079	2,089,079	2,089,079	-	-
Lease liabilities	-	515,065	552,453	367,102	185,351	-
		<b>3,264,564</b>	<b>3,301,952</b>	<b>3,116,601</b>	<b>185,351</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**32. FINANCIAL INSTRUMENTS (CONT'D)**

**32.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

**32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD\$</b>	<b>AUD\$</b>
<b>Financial Assets</b>		
<u>Amortised Cost</u>		
Trade receivables	86,719	504,823
Other receivables and deposits	221,848	737,169
Cash and bank balances	3,081,795	3,860,270
	<b>3,390,362</b>	<b>5,102,262</b>
<u>Mandatorily at Fair Value through Profit of Loss</u>		
Short-term investments	1,868,904	2,359,289
	<b>1,868,904</b>	<b>2,359,289</b>
<b>Financial Liabilities</b>		
<u>Amortised Cost</u>		
Trade payables	822,799	660,420
Other payables and accruals	1,621,417	2,089,079
Hire purchase payables	-	-
	<b>2,444,216</b>	<b>2,749,499</b>



## I SYNERGY GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 32. FINANCIAL INSTRUMENTS (CONT'D)

##### 32.4 FAIR VALUE INFORMATION

At the end of the reporting period, there was no financial instrument carried at fair values (other than short-term investments) in the consolidated statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The Group measures its short-term investments classified as Mandatorily at Fair Value through Profit of Loss financial assets at fair values, determined by reference to statements provided by the respective financial institutions, with which the investments were entered into. These financial assets belong to level 2 (2019 - level 2) of the fair value hierarchy and there were no transfers between level 1 and level 2 during the financial year.

#### 33. CAPITAL COMMITMENT

	The Group	
	2020 AUD\$	2019 AUD\$
Purchase of equipment	16,618	27,946

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****34. OPERATING SEGMENTS****34.1 BUSINESS SEGMENT**

The Group operates predominantly in one business segment (affiliate marketing solutions). Accordingly, the information by business segment is not presented.

**34.2 GEOGRAPHICAL INFORMATION**

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including deferred tax assets).

Group	Revenue		Non-current Assets	
	2020 AUD\$	2019 AUD\$	2020 AUD\$	2019 AUD\$
Indonesia	134,702	987,500	63,042	84,700
Malaysia	8,234,952	7,780,692	2,044,639	2,920,268
	<u>8,369,654</u>	<u>8,768,192</u>	<u>2,107,681</u>	<u>3,004,968</u>

**34.3 MAJOR CUSTOMERS**

There is no single customer that contributed 10% or more to the Group's revenue.

**34.4 DISAGGREGATION OF REVENUE**

Revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition as below:-

	Indonesia AUD\$	Malaysia AUD\$	Group AUD\$
<b>2020</b>			
At a point of time	134,702	6,872,109	7,006,811
Over time	-	1,362,843	1,362,843
	<u>134,702</u>	<u>8,234,952</u>	<u>8,369,654</u>
<b>2019</b>			
At a point of time	987,500	6,444,619	7,432,119
Over time	-	1,336,073	1,336,073
	<u>987,500</u>	<u>7,780,692</u>	<u>8,768,192</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (a) On 17 March 2020, the Group has executed an agreement to acquire the entire issued capital of Ocean Nexus Sdn. Bhd. (“ONSB”) (“Agreement”) which is principally engaged in the business of providing customised software design and development services and solutions to customers for the purchase price comprising circa AUD\$282,000 cash and equity over the following components (together, the “Balance Purchase Price”):
- i. An upfront cash payment of RM200,000 (~AUD\$75,000) which will be paid immediately;
  - ii. The balance of the purchase price of RM500,000 (AUD\$207,000) is to be paid by 437,500 fully paid ordinary shares which equates to AUD\$87,500 and deferred milestone consideration of AUD\$113,000;
  - iii. One year after the Agreement execution date, the Company is to issue 437,500 fully paid ordinary shares to the vendors at a deemed value of AUD\$0.20 per share for a total deemed value of AUD\$94,000 (being a deemed equivalent value of RM250,000). These shares will be issued under the Company’s 15% capacity under ASX Listing Rule 7.1; and
  - iv. As deferred milestone consideration, the Company is to immediately deposit RM300,000 (~AUD\$113,000) to an interest-bearing solicitor’s trust account, with RM100,000 in cash to be released (together with interest earned) to the vendors each year on each anniversary of the execution date for three anniversary years of 2021, 2022 and 2023.

The acquisition is expected to enable the Group to have technical IT expertise within the Group rather than externally contracted and will strengthen our group IT capabilities in the ecommerce area.

- (b) The World Health Organisation declared a global health emergency on 31 January 2020 relating to the spread of the Coronavirus (COVID-19). The COVID-19 pandemic continues to impact communities and businesses throughout the world including Malaysia, and the communities where the Group operates. The pandemic will likely have a financial impact for the Group in the 2020 financial year and beyond. The scale, timing and duration of the potential impacts on the Group are unknown, however could materially impact the carrying value or amounts realised in respect of: receivables, equipment, deferred tax asset and other assets and liabilities (including recognition of additional liabilities such as onerous contracts) disclosed in the 31 December 2020 financial report. The Group cannot, however, reasonably estimate the impact of these potential items at this time. The Group continues to monitor market developments and will reflect any relevant impacts in the appropriate future reporting periods.

**36. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD**

Subsequent to the reporting period, on 23 March 2021, the Company has issued 437,500 fully paid ordinary shares at a deemed issue price of A\$0.20 each to the vendors as part of the Balance Purchase Price settlement for the acquisition of ONSB as disclosed in Note 35(a)(ii) to the financial statements.





## **DIRECTORS' DECLARATION**

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In accordance with a resolution of the directors of I Synergy Group Limited, the directors of the Company declare that:

1. the financial statements and notes of I Synergy Group Limited for the financial year ended 31 December 2020, are in accordance with the Corporations Act 2001, including:
  - a. complying with Australian Accounting Standards, which as stated in accounting policies Note 4 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. giving a true and fair view of the financial position as at 31 December 2020 and of its performance for the financial year ended on that date;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
  - b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and Notes for the financial year give a true and fair view; and
3. in the directors' opinion 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
4. this declaration has been made after receiving the declarations required to be made by the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2020.

This declaration is made on behalf of the directors, and in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Dato' Teo Chee Hong  
Director  
31 March 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I SYNERGY GROUP LIMITED

### Report on the Audit of the Financial Report

#### **Opinion**

We have audited the financial report of I Synergy Group 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*; including:

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

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

**Key Audit Matters**

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

Key audit matter	How our audit addressed the matter
<b>Decentralised operations</b>	
<p>The Group comprises 8 subsidiaries with the operations of the Group being conducted in Malaysia.</p> <p>The decentralised nature of the operations requires significant oversight by Management to monitor activities, review component financial reporting and undertake the Group consolidation.</p> <p>We focused on:</p> <ul style="list-style-type: none"> <li>• understanding the components and identifying the significant risks of misstatements within them;</li> <li>• the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances;</li> <li>• the assessment of components' compliance with Group accounting policies; and</li> <li>• the consolidation process and aggregation of results from component procedures.</li> </ul> <p>Disclosures relating to the Group's subsidiaries can be found at <i>Note 13 -Controlled Entities</i>.</p>	<p>Audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• We instructed a component audit team from Crowe Malaysia to perform procedures on the financial information prepared for consolidation purposes for one significant component. The selected component was that of most significance to the audit of the Group, by both individual size and risk, and included 89% of the Group's assets and 98% of the Group's revenues. The objective of this being to gather evidence that aggregates to form the Group's financial reporting.</li> <li>• The component audit team performed an audit of the financial information of the component in accordance with our specific group reporting package information and local statutory financial reporting. We worked with the component audit team to understand the component, to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audit as it progressed to identify and address any issues, working with the component audit team as appropriate.</li> <li>• We read the component audit team audit report to us and the underlying documentation explaining component results.</li> <li>• We evaluated the work performed by the component audit team for sufficiency for our overall audit purpose.</li> <li>• We considered the component auditor's reporting about the component's compliance with the Group's accounting policies.</li> </ul>

Key audit matter	How our audit addressed the matter
	<ul style="list-style-type: none"> <li>• We tested the financial data used in the consolidation process for consistency with the financial data audited by the component audit team. We also assessed the consolidation process for compliance with accounting standards.</li> <li>• For the components not within the scope of the component audit team, our procedures included testing the Group's key monitoring controls and performance of analytical procedures.</li> </ul>
<b>Revenue recognition</b>	
<p>Revenue is one of the largest accounts in the financial statements and is an important driver of the Group's operating results. We focus on this area because under ASA 240 there is presumption that there is risk of fraud in revenue recognition. There is a risk that Management could adopt accounting policies in such a way as to lead to material misstatement in the reported revenue position and resulting profit.</p> <p>Given the significant risks involved, we have evaluated the application of the Group's revenue policy to specific contracts with customers and separate performance obligations of the contracts.</p> <p>Disclosures relating to revenue recognition can be found at <i>Note 4.18 - Revenue and Other Income and Note 5.</i></p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Assessing internal control procedures by performing walkthrough test to obtain understanding of the control procedures and assessment of control risk;</li> <li>• Performing tests of control to ensure performance obligations in the contract with customers are accounted for separately as software activation, training and license rights to access;</li> <li>• Performing transaction testing to ensure the accuracy of the allocation of the transaction price to each distinct performance obligation of the contract with customers for software activation, training and license rights to access;</li> <li>• Performing an IT audit on the revenue database for commission income and expenses, where the computation is system automated to ensure accuracy and data integrity; and</li> <li>• Performing sales cut off testing to ensure revenue is recognised in the proper accounting period.</li> </ul> <p>We assessed the Group's accounting policies as set out in <i>Note 4.18 - Revenue and Other Income</i> and the revenue disclosures included in <i>Note 5</i>, for compliance with the revenue recognition and</p>

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Key audit matter	How our audit addressed the matter
	<p>disclosure requirements of Australian Accounting Standards.</p> <p>No adjustments to revenue were identified from these procedures.</p>
<b>Recoverability of deferred tax assets</b>	
<p>The Group had \$922,541 of deferred tax assets recognised at 31 December 2020. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits.</p> <p>We focused on this matter because of the impact on the financial report and because significant judgement is required to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets.</p> <p>Disclosures relating to the deferred tax assets can be found at <i>Note 15 - Deferred Tax Assets</i>.</p>	<p>We assessed the Group's ability to utilize the deferred tax assets by:</p> <ul style="list-style-type: none"> <li>obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast;</li> <li>comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's approach to budgeting as compared to prior periods;</li> <li>challenging management's key assumptions in the budget and cashflow forecast;</li> <li>evaluating whether the cashflows had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, with taxable profits; and</li> <li>recalculating deferred tax balances which relate solely to timing differences between tax and accounting values.</li> </ul> <p>No adjustments to deferred tax assets were identified from these procedures.</p>
<b>Goodwill Impairment</b>	
<p>The Group recognized goodwill of \$237,721 arising from the acquisition of Ocean Nexus Sdn. Bhd. during the financial year as outlined in <i>Note 17 – Goodwill on Consolidation</i>.</p> <p>This is an area of focus given the materiality of the Group's goodwill balance and the level of estimation uncertainty involved in performing impairment testing.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Challenging the key assumptions made by management including forecast profit margin, revenue growth rate and the discount rate applied;</li> <li>Evaluating the reasonableness of managements' estimates of the expected future cash flows by taking into consideration, the past performance of Ocean Nexus;</li> </ul>

Key audit matter	How our audit addressed the matter
<p>Management’s assessment of the “value in use” of the cash generating unit involves significant judgement and estimates about the future results of the business and key assumptions applied to future cash flow projections.</p>	<ul style="list-style-type: none"> <li>• Performing sensitivity analysis on the key assumptions to assess the impact on the recoverable amount of the cash generating unit; and</li> <li>• Reviewing the adequacy of the disclosures in relation to goodwill and impairment in the financial statements.</li> </ul> <p>Adjustments required to the goodwill recognized were appropriately processed by management and included in the financial statements.</p>

**Other Information**

The directors are responsible for the other information. The other information comprises the directors’ report and securities information included in the annual report for the year ended 31 December 2020 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and 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 upon the work we have performed, we conclude that there is 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 Group’s ability to continue as a going concern, discussing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

**Auditor’s Responsibility for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit

conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### ***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 8 to 16 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of I Synergy Group Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

#### ***Responsibilities***

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



**Crowe Perth**



**Sean McGurk**  
Partner

Signed at Perth, 31 March 2021



**I SYNERGY GROUP LIMITED**

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**ADDITIONAL SECURITIES INFORMATION****ASX ADDITIONAL INFORMATION**

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below.

**SHAREHOLDINGS**

The issue capital of the Company at 8 March 2021 is 183,268,088 ordinary fully paid shares. All ordinary shares carry one vote per share.

**TOP 20 SHAREHOLDERS AS AT 8 MARCH 2021**

		No. of Shares Held	% Held
1	CITICORP NOMINEES PTY LIMITED	68,280,429	37.26%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.10%
3	DATO CHEE HONG TEO	26,046,192	14.21%
4	ONG SIEW PIK	8,253,587	4.50%
5	TEO NYAM HUI	7,195,973	3.93%
6	TRIPPLE GEM SDN BHD	6,000,000	3.27%
7	SANFORD CAPITAL PLT	5,058,810	2.76%
8	MR CHEE WEE TEO	1,608,014	0.88%
9	LIM BENG HIAN	1,200,000	0.65%
10	MR YEE LEY CHEW	544,416	0.30%
11	LAU SU HWEE	500,000	0.27%
12	LY SUPER INVESTMENTS PTY LTD	400,000	0.22%
13	TEO SIONG YAM	300,000	0.16%
14	AMRAN BIN MUNIR	250,000	0.14%
15	ONG SIEW PIK	240,000	0.13%
16	TALIB BIN MINGU	202,000	0.11%
17	TAN CHIA CHIA	200,000	0.11%
18	ROSNI BINTI JAILANI	200,000	0.11%
18	ONG HAN KEONG	182,000	0.10%
19	CHAI YAH KANG	175,000	0.10%
20	MONA BINTI JASMAN	155,000	0.08%
	<b>TOTAL</b>	<b>172,991,421</b>	<b>94.39%</b>

**Shares Range**

100,001 and Over  
10,001 to 100,000  
5,001 to 10,000  
1,001 to 5,000  
1 to 1,000

	No. of Holders	No. of Shares
	31	174,193,395
	153	5,186,441
	337	3,318,800
	153	567,701
	8	1,751
	<b>682</b>	<b>183,268,088</b>

Number holding less than a marketable parcel at a share price of AUD0.087

161 569,452

**Shareholders by Location**

Australian holders  
Overseas holders

	No. of Holders	No. of Shares
	193	117,253,155
	489	66,014,933
	<b>684</b>	<b>183,268,088</b>

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**ADDITIONAL SECURITIES INFORMATION****VOTING RIGHTS**

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

**SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2021**

		<b>No. of Shares Held</b>	<b>% Held</b>
1	CITICORP NOMINEES PTY LIMITED	68,280,429	37.26%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.10%
3	DATO CHEE HONG TEO	26,046,192	14.21%

**OPTION HOLDINGS**

The Group has the following classes of options on issue at 8 March 2021 as detailed below. Options do not carry any rights to vote.

<b>Class</b>	<b>Terms</b>	<b>No. of Options</b>
IS3OPT01	Unlisted Options 30c Incentive Options Expiring 17-Jan-2022	800,000
IS3OPT03	Unlisted Options 30c Affiliate Options Expiring 15-Jan-2024	4,120,000
		<b>4,920,000</b>

**Options Range**

	<b>Unlisted Options</b>	
	<b>No. of Holders</b>	<b>No. of Options</b>
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	50	2,220,000
100,001 and over	9	2,700,000
	<b>65</b>	<b>4,920,000</b>

The following Option holders hold more than 20% of a particular class of the Group's Unlisted Options.

<b>Holder</b>	<b>IS3OPT01</b>	<b>IS3OPT03</b>
Dato Chee Hong Teo	600,000	-
Richard Symon	200,000	-



## I SYNERGY GROUP LIMITED

ACN: 613 927 361

### ADDITIONAL SECURITIES INFORMATION

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#### PERFORMANCE RIGHTS HOLDINGS

There is no performance right on issue at 8 March 2021.

#### REQUIREMENT LISTING RULE 4.10.14

In accordance with the listing rule 4.10.14 the Company confirms that there are no restricted securities or securities subject to voluntary on issue as at 8 March 2021

#### REQUIREMENT LISTING RULE 4.10.18

In accordance with the listing rule 4.10.18 the Company confirms that there is no current on-market buy-back taking place as at 8 March 2021.

#### REQUIREMENT LISTING RULE 4.10.19

In accordance with the listing rule 4.10.19 the Company confirms that the entity used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the business's objectives.

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