

Appendix 4D

Half year report



1. Company details

Name of Entity	Felix Group Holdings Limited
ABN	65 159 858 509
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcements to the market

	31 Dec 2021	31 Dec 2020	Up/Down	% Change
Sales revenues from ordinary activities	\$1,867,913	\$1,875,418	Down	0%
Other income from ordinary activities	\$69,567	\$564,187	Down	88%
Loss from ordinary activities after tax attributable to the owners of Felix Group Holdings Limited	\$3,674,634	\$7,540,023	Down	51%
Total comprehensive loss attributable to the owners of Felix Group Holdings Limited	\$3,678,308	\$7,545,907	Down	51%

Dividends

- No final dividend was paid in relation to the year ended 30 June 2021.
- No interim dividend will be paid in relation to the half-year ended 31 December 2021.

Comments

- The loss for the consolidated entity after providing for income tax amounted to \$3,674,634 (31 December 2020: \$7,540,023).

Further information on the results is detailed in 'the Directors' report which is part of this interim report.

3. Net tangible assets

	Reporting period (cents)	Previous period (cents)
Net tangible assets per ordinary security	\$0.05	\$0.10

Appendix 4D

Half year report

4. Control gained over entities

No control has been gained over entities during the period.

5. Loss of control over entities

No loss of control has occurred over entities during the period

6. Details of associates and joint venture entities

There are no associates or joint ventures

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review report is unqualified but does contain a paragraph outlining a material uncertainty relating to going concern.

8. Attachments

Details of attachments (if any):

The Interim Report of Felix Group Holdings Limited for the half-year ended 31 December 2021 is attached.

9. Signed



Michael Bushby
Director

21 February 2022

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Directors' report

The directors present their report, together with the financial statements, on the consolidated entity consisting of Felix Group Holdings Limited ("Felix" or 'the Company') and the entities it controlled ('the Consolidated Entity' or "the Group") at the end of, or during, the half-year ended 31 December 2021.

Directors

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

- Michael Peter Davis
- Michael Anthony Trusler
- George Humphry Davy Rolleston
- Michael Bruce Bushby
- Robert William Phillpot
- Joycelyn Cheryl Morton (appointed on 14 July 2021)
- Company Secretary – James Gregory Forrest Frayne

Principal activities

During the period, the principal continuing activity of the Group consisted of a cloud-based SaaS solution to its Contractor and Vendor customer base to make it easier for them to find, manage and engage with each other. The Felix platform automates and streamlines a range of critical, procurement-focused business processes.

Contractors are contracted by asset owners to build or maintain capital works projects in the commercial construction and related industries.

Vendors comprise the Contractors suppliers and include subcontractors, equipment providers and service and materials providers.

Review of operations

Felix is focused on transforming the way Contractors and Vendors discover, manage and engage with others across sectors with high-risk supply chains such as infrastructure, construction, utilities and resources. Throughout H1 FY22, Felix made significant operational progress, continuing to scale the number of Contractors and Vendors on the platform, expanding into new sectors and executing on its platform expansion plans.

Step change in number of Contractors

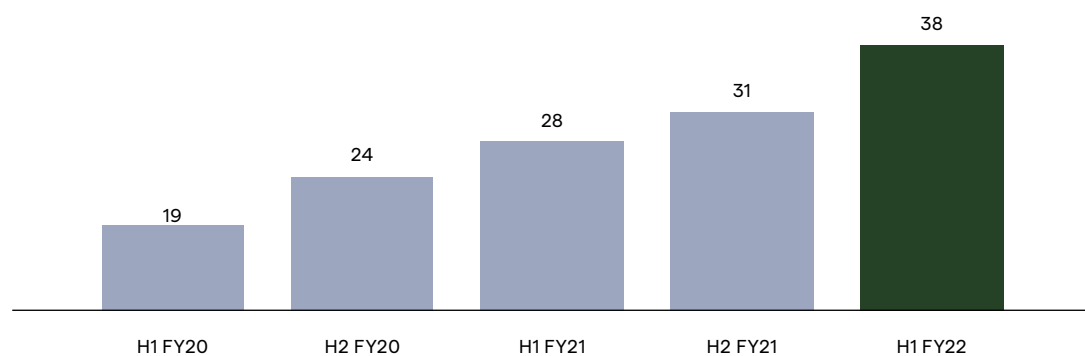
Felix has observed strong demand from leading Contractors for its enterprise procurement solution in H1 FY22, with 38 Contractors on the platform – representing an increase on H1 FY21 (refer to Figure 1). The new Contractors signed during the period consisted of Tier 1 and leading names across Australia and New Zealand including Fulton Hogan, FKG Group and Seymour Whyte. The increasing number of Contractors provides significant strategic benefits for the Vendor Marketplace as each new Contractor embeds Felix into their organisation and mandates usage across their entire third-party supply chain of Vendors on to the platform, effectively building the Vendor Marketplace at no direct cost to Felix.

Directors' report

A number of Contractors including Airtrunk, Primero Americas and Connect Sydney also expanded their existing contracts, highlighting the value of the platform and ability to become deeply embedded in Contractor ecosystems. The expansions across user accounts, projects and geographies has resulted in an average Contractor ARR Retention rate for H1 FY22 of 98.8%.

Felix continued to expand its customer base across sectors outside of construction, with new contract wins across new and high value adjacent sectors. Felix expanded its presence into the Resources sector with Westgold (ASX.WGX) and Utilities sector with GenusPlus (ASX.GNP), further demonstrating the broad applicability of the digital procurement platform across a range of sectors.

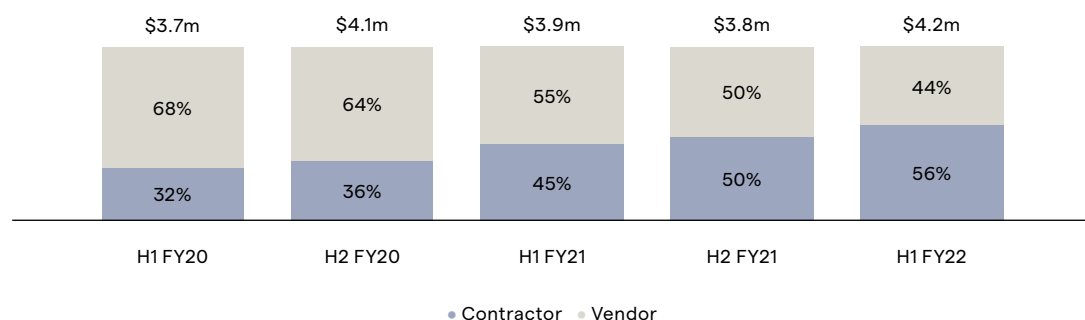
Figure 1: Contractor Customers



Increase in Contractor ARR

In line with Felix's deliberate strategic shift towards scaling Contractors, Felix's Contractor ARR contribution has increased from 45% in H1 FY21 to 56% in H1 FY22, with total Group Contracted ARR of \$4.2m (refer to Figure 2). New contract wins and customer expansions contributed to an increase in Contractor ARR from \$1.8m to \$2.4m between H1 FY21 and H1 FY22 (refer to Figure 3).

Figure 2: Group Contracted ARR contribution (% of Group ARR)



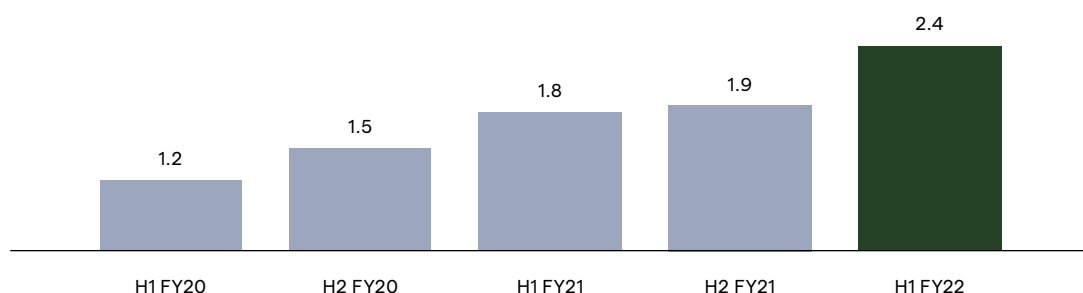
Directors' report

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Vendor Marketplace

Platform development and expansion

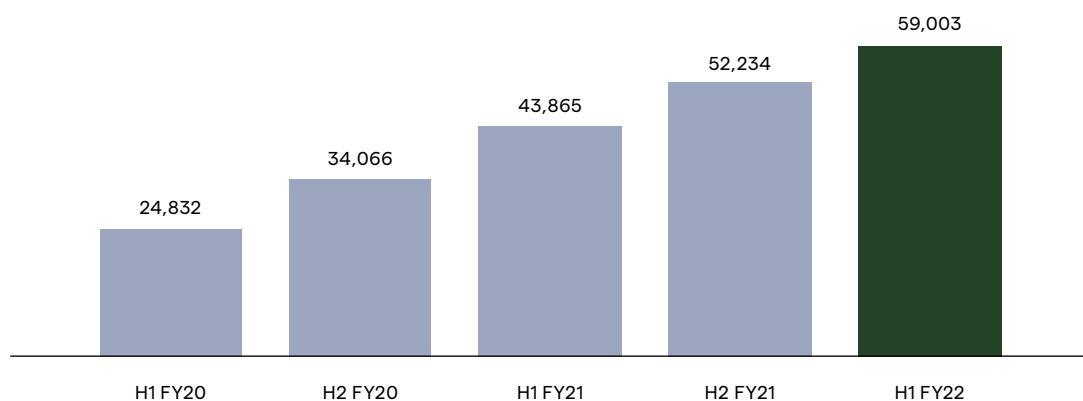
Figure 3: Contracted Contractor ARR (\$m)



Strong growth in number of Vendors in the Vendor Marketplace has been underpinned by an increasing number of Contractors mandating the use of Felix. In H1 FY22, Felix added an additional 15,138 Vendors to the Vendor Marketplace, an increase of 35% on pcp (refer to Figure 4). The growing scale of Vendors enhances the value of the Vendor Marketplace and future monetisation opportunities, underpinning Felix's long-term growth potential.

The geographic footprint of Vendor Marketplace currently spans over 50 countries, with large Australasian customers with global supply chains introducing Felix to offshore markets through their international projects.

Figure 4: Number of Vendors in the Vendor Marketplace



During H1 FY22, Felix launched the new highly strategic Procurement Schedule module. Developed in close collaboration with one of Australia's largest multinational Contractors, Procurement Schedule serves as the nerve centre of the enterprise platform, connecting critical project planning, scheduling, and tracking data with key sourcing processes. Following the successful launch of this module, Felix saw strong demand from both new and existing Contractors, with a number of Contractors taking up the new module including leading Contractor FKG Group.

Directors' report

Felix has continued to progress its new project-focused Essentials module package, which provides a 'lite' version of Felix's existing module offering tailored for individual Contractor projects. The new offering is expected to significantly reduce sales cycle, as it will be sold directly to project managers (rather than at an enterprise-wide level). After running market testing and validation, Felix's product teams are focused on advancing structural updates ahead of user-facing changes and formulation of a launch timeline.

Partnership Opportunities

Felix progressed a number of strategic partnership opportunities with global construction technology players. These partnerships have the potential to significantly expand Felix's market access and rapidly scale the platform, while complementing the Company's fast-growing direct sales activities across Australia and New Zealand. The interest in the platform from global players highlights Felix's growing international profile and the global relevance of the unique and innovative solution.

Engagement Metrics

Felix has observed strong growth across its key platform engagement metrics throughout H1 FY22, reflecting expanding usage of its platform and indicating the platform's deepened engagement within customer systems and processes. Key highlights were:

- Number of Active Projects: +554% pcp
- Total active Vendor Compliance Documents: +327% pcp
- Requests for Quotations (RFQ) sent by Contractors: +158% pcp
- Total Contractor User Accounts: +61% pcp

Financial Performance

The loss for the consolidated amounted to \$3,674,634 (31 December 2020: \$7,540,023).

Directors' report

EBITDA

	H1 FY22	H1 FY22	% Change
Revenue			
Contractor Revenue	920,168	720,470	28%
Vendor Revenue	947,745	1,154,948	-18%
Other Revenue	69,567	564,187	-88%
TOTAL REVENUE	1,937,480	2,439,605	-21%
Operating Expenses			
Employee benefits	(3,363,603)	(2,617,565)	-29%
Share Based Payments	(454,065)	(636,685)	29%
Net loss on FV of derivatives (related to IPO)	-	(2,502,301)	100%
IPO Costs	-	(1,168,645)	100%
Other expenses from ordinary activities	(1,399,631)	(765,245)	-83%
TOTAL OPERATING EXPENSES	(5,217,299)	(7,690,441)	32%
EBITDA	(3,279,819)	(5,250,836)	38%
Depreciation & Amortisation	(390,205)	(391,578)	0%
Finance Costs	(4,610)	(1,897,609)	100%
LOSS BEFORE INCOME TAX	(3,674,634)	(7,540,023)	51%

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Directors' report

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Bushby
Director

21 February 2022

Authors independence declaration



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Auditor's Independence Declaration

To the Directors of Felix Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Felix Group Holdings Limited for the half-year ended 31 December 2021, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance

Brisbane, 21 February 2022

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Introduction

General Information

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

Felix Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office & Principal place of business

Unit 4
34 Navigator Place
Hendra QLD 4011

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2022.

Statement of profit or loss and other comprehensive income

— For the half-year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 \$	31 Dec 2020 \$
REVENUE			
Sales revenue	3	1,867,913	1,875,418
Other income:	4		
Job Keeper		-	527,000
Tax incentive		45,299	22,728
Rental income		18,000	12,000
Other income		6,268	2,459
EXPENSES			
Contractor expenses		(417,710)	(123,049)
Depreciation & amortisation		(390,205)	(391,578)
Employee benefits		(3,363,603)	(2,617,565)
Finance costs	5/6	(4,610)	(1,897,609)
Listing costs	6	-	(1,168,645)
Marketing & advertising		(136,533)	(92,679)
Net change in fair value of financial liabilities at fair value through profit or loss	6	-	(2,502,301)
Professional fees		(393,622)	(145,893)
Share based payments		(454,065)	(636,685)
Subscriptions		(164,884)	(159,512)
Other expenses		(286,882)	(244,112)
LOSS BEFORE INCOME TAX EXPENSE		(3,674,634)	(7,540,023)
Income tax expense		-	-
LOSS AFTER INCOME TAX EXPENSE FOR THE HALF-YEAR		(3,674,634)	(7,540,023)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(3,674)	(5,884)
Other comprehensive income for the half-year, net of tax		(3,674)	(5,884)
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR		(3,678,308)	(7,545,907)
		Cents	Cents
Basic loss per share	18	(\$0.03)	(\$0.11)
Diluted loss per share		(\$0.03)	(\$0.11)

Statement of Financial Position

— As at 31 December 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents		6,084,854	8,930,094
Trade and other receivables		253,305	136,436
Contract assets		59,832	36,398
Other	7	674,129	615,148
Total current assets		7,072,120	9,718,076
Non-current assets			
Property, plant and equipment	8	112,078	105,649
Intangibles	9	542,005	595,981
Right-of-use assets	10	61,871	154,678
Contract assets		197,235	67,299
Total non-current assets		913,189	923,607
Total assets		7,985,309	10,641,683
Liabilities			
Current liabilities			
Trade and other payables		1,061,176	1,020,888
Contract liabilities		2,028,300	1,403,605
Lease liabilities	11	62,086	155,215
Provisions		342,929	402,971
Total current liabilities		3,494,491	2,982,679
Non-current liabilities			
Provisions		369,699	313,642
Total non-current liabilities		369,699	313,642
Total liabilities		3,864,190	3,296,321
Net assets		4,121,119	7,345,362
Equity			
Issued capital	12	42,036,187	41,548,266
Reserves	13	991,381	1,028,912
Retained profits/accumulated losses		(38,906,449)	(35,231,816)
Total equity		4,121,119	7,345,362

Statement of changes in equity

— For the half-year ended 31 December 2021

Consolidated	Reserves					Total equity \$
	Issued capital \$	Other Equity - as at 31 Dec 2020 \$	Share Based Payments \$	Foreign Exchange \$	Retained profits/ accumulated losses \$	
Balance at 1 July 2020	16,764,641	-	-	(1,233)	(24,453,418)	(7,690,010)
Loss after income tax expense for the half-year	-	-	-	-	(7,540,023)	(7,540,023)
Other comprehensive income for the half-year, net of tax	-	-	-	(5,884)	-	(5,884)
Total comprehensive income for the half-year	-	-	-	(5,884)	(7,540,023)	(7,545,907)
Transactions with owners in their capacity as owners: Contribution of equity – shares to be issued.	-	24,810,856	111,264	-	-	24,922,120
Balance at 31 December 2020	16,764,641	24,810,856	111,264	(7,117)	(31,993,441)	9,686,203

Consolidated	Reserves					Total equity \$
	Issued capital \$	Other Equity \$	Share Based Payments \$	Foreign Exchange \$	Retained profits/ accumulated losses \$	
Balance at 1 July 2021	41,548,266	-	1,028,866	46	(35,231,816)	7,345,362
Profit after income tax expense for the half-year	-	-	-	-	(3,674,634)	(3,674,634)
Other comprehensive income for the half-year, net of tax	-	-	-	(3,674)	-	(3,674)
Total comprehensive income for the half-year	-	-	-	(3,674)	(3,674,634)	(3,678,308)
Transactions with owners in their capacity as owners: Contribution of equity – shares to be issued.	487,921	-	(33,857)	-	-	454,064
Balance at 31 December 2021	42,036,187	-	995,009	(3,628)	(38,906,449)	4,121,119

Statement of cash flows

— For the half-year ended 31 December 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Receipts from operations (inclusive of GST):			
Customers		2,255,375	2,251,461
Government incentives		-	1,060,394
Payments to suppliers and employees (inclusive of GST)		(4,759,292)	(3,107,540)
		(2,503,917)	204,315
Interest received		6,267	2,322
Interest and other finance costs paid		(4,610)	(11,858)
Net cash from/(used in) operating activities		(2,502,260)	194,779
Cash flows from investing activities			
Payments for property, plant and equipment		(27,502)	(22,939)
Payments for intangibles		(222,348)	(156,931)
Net cash used in investing activities		(249,850)	(180,870)
Cash flows from financing activities			
Net proceeds of share issue		-	(98,612)
Net proceeds/repayment of borrowings		(93,130)	(82,577)
Net cash from/(used in) financing activities		(93,130)	(181,189)
Net increase/(decrease) in cash and cash equivalents		(2,845,240)	(167,279)
Cash and cash equivalents at the beginning of the financial half-year		8,930,094	1,017,911
Cash and cash equivalents at the end of the financial half-year		6,084,854	850,632

Notes to the financial statements

— 31 December 2021

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going Concern

The half year report has been prepared on a going concern basis which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

For the period ending 31, December 2021, the Group incurred a loss before income tax of \$3,674,634 (1H FY21: \$7,540,023) and experienced net cash outflows from operations of \$2,502,260 (1H FY21: inflows of \$194,779).

The Group completed an IPO on 12 January 2021 raising \$12m by issue of new shares. The Group outlined in the prospectus document that the use of funds would be to execute a growth strategy, with the key areas of investment being new initiatives in marketing, research, and platform development.

Additionally, the Group has a history of raising capital from the public and private markets since its inception. The Group has the ability to raise additional funds via debt or public capital markets, if and when they are required.

Given the growth strategy currently being executed on, in the event capital is not contributed in the next twelve months there is material uncertainty about the ability of the Group to continue as a going concern, realising assets and extinguishing liabilities in the normal course of business.

The financial statements do not include adjustments to the recoverability and classification of recorded asset amounts, and the amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Given the growth strategy currently being executed on, in the event capital is not contributed in the next twelve months there is material uncertainty about the ability of the Group to continue as a going concern, realising assets and extinguishing liabilities in the normal course of business.

Notes to the financial statements

— 31 December 2020

New or amended Accounting Standards & Interpretations adopted

The consolidated entity 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. There was no material impact on the adoption of the new standards.

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

Note 2. Operating segments

The Group provides a cloud-based SaaS solution to its Contractor and Vendor customer base in Australia and New Zealand. The Chief Executive Officer is Chief Operating Decision Maker (CODM). The CODM monitors the results of the Group on a consolidated basis and is therefore one reportable segment.

Note 3. Revenue

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Vendor Subscription Revenue	947,745	1,154,948
Contractor Subscription Revenue	920,168	720,470
	1,867,913	1,875,418
<i>Timing of revenue recognition</i>		
Revenue transferred over time	1,867,913	1,875,418
Revenue transferred at a point in time	-	-
	1,867,913	1,875,418

For the first six months of the 2022 period, revenue includes \$925,629 (2021: \$818,106) included in the contract liability balance at the beginning of the period broken down as follows.

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Vendor Revenue	428,706	557,648
Contractor Revenue	496,923	260,458
	925,629	818,106

Notes to the financial statements

— 31 December 2021

Note 4. Other income

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Job Keeper	–	527,000
Tax incentive	45,299	22,728
Rental income	18,000	12,000
Other income	6,268	2,459
Total other income	69,567	564,187

Note 5. Finance Costs

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Finance charges on convertible note	–	1,885,751
Other interest	4,610	11,858
Total finance costs	4,610	1,897,609

Note 6. Significant expenses

The Group completed an IPO on 12 January 2021 raising \$12 million by issue of new shares. The IPO offer period was completed on 10 December 2020 with settlement dated after the previous period end on 7 January 2021. The IPO provided a conversion event for the notes on issue to ordinary shares in the parent entity Felix Group Holdings Ltd. The IPO and conversion event had resulted in \$6 million of expenditure for the period.

The loss for the previous period includes the following items that are unusual because of their nature, size or incidence:

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Finance charges on convertible note	–	1,885,751
Listing costs	–	1,168,645
Net change in fair value of financial liabilities at fair value through profit or loss	–	2,502,301
Share based payments expense arising on initial public offering	–	636,685
Total	–	6,193,382

Notes to the financial statements

— 31 December 2021

Note 7. Other Assets

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Income tax receivable	298,325	156,396
Prepayments	322,053	285,570
Other	53,751	173,182
Total other assets	674,129	615,148

Note 8. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Office equipment - at cost	80,680	80,680
Less: Accumulated depreciation	(28,256)	(23,249)
Total office equipment	52,424	57,431
Computer equipment - at cost	203,148	175,646
Less: Accumulated depreciation	(147,269)	(132,920)
Total computer equipment	55,879	42,726
Motor Vehicles - at cost	27,237	27,237
Less: Accumulated depreciation	(23,462)	(21,745)
Total motor vehicles	3,775	5,492
Total plant and equipment	112,078	105,649

Note 9. Intangible assets

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Technology platform development at cost	3,133,702	2,917,964
Less: Accumulated amortisation	(2,591,697)	(2,321,983)
Total intangible asset	542,005	595,981

Notes to the financial statements

— 31 December 2021

Note 10.

Right of use asset

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Right of use asset	484,349	484,349
Less: Accumulated depreciation	(422,478)	(329,671)
Total right of use asset	61,871	154,678

Note 11.

Lease Liabilities

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

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Current	62,086	155,215
Total lease liability	62,086	155,215

Future minimum lease payments as at 31 December 2021 were as follows:

	Consolidated	
	< 12 Months \$	Total \$
Lease payments	65,159	65,159
Finance charges	(3,073)	(3,073)
Net present value	62,086	62,086

Future minimum lease payments as at 31 December 2020 were as follows:

	Consolidated		
	< 12 Months \$	1 to 5 years \$	Total \$
Lease payments	193,274	65,159	258,433
Finance charges	(17,570)	(3,073)	(20,643)
Net present value	175,704	62,086	237,790

Notes to the financial statements

— 31 December 2021

Note 12. Equity

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	42,036,187	41,548,266

	Consolidated	
	31 Dec 2021 Shares	30 Jun 2021 Shares
Ordinary shares - fully paid	132,885,690	131,530,352

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	131,530,352		41,548,266
Issue of shares under Employee Salary Sacrifice Plan	1 July 2021	1,355,338	\$0.36	487,921
Balance	31 December 2021	132,885,690		42,036,187

Note 13. Equity - reserves

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
<i>Reserves:</i>		
Foreign exchange	(3,628)	46
<i>Share based payment:</i>		
Employee salary sacrifice options	680,603	867,998
Senior management options	119,273	62,418
Director options	174,133	77,450
Consultant options	21,000	21,000
Closing Balance	991,381	1,028,912

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share based payments

For more information see note 14.

Notes to the financial statements

— 31 December 2021

Note 14. Share based payments

Employee Incentive Plan

The Group established an Employee Incentive Plan (EIP) in the previous corresponding period. The plan is designed to provide long-term incentives to eligible employees and/or directors. Under the plan, options or shares may be granted to participants at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

At the AGM, on 29 November 2021, a resolution was passed by the shareholders to grant Rob Phillpot 1,388,889 options. These options will vest according to the following schedule provided that the participant remains as a director of all times: 1/6 will vest on 29 November 2021; 1/6 will vest on 12 January 2022; 1/3 will vest on 12 January 2023 and 1/3 will vest on 12 January 2024. The exercise price of the options is \$0.36 and expire on 12 January 2026.

A resolution was passed at the AGM to grant Joycelyn Morton 426,667 options. These options will vest according to the following schedule provided that the participant remains as a director of all times: 1/2 will vest on 29 November 2021 and 1/2 will vest on 14 July 2022. The exercise price of the options is \$0.36 and expire on 14 July 2024.

Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 31 December 2021 ranges between \$0.09 and \$0.11 per option.

The fair value at grant date is independently determined using Black-Scholes pricing model which takes into account the risk free rate, exercise price and time to maturity.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at grant date, are as follows:

Input	Rob Phillpot Options	Joycelyn Morton Options
Exercise price	\$0.36	\$0.36
Grant date:	29 Nov 2021	29 Nov 2021
Expiry date:	12 Jan 2026	17 Jul 2024
Share price at grant date:	\$0.29	\$0.29
Fair value at grant date:	\$0.1143	\$0.0862
Risk-free interest rate:	0.56%	0.19%

Notes to the financial statements

— 31 December 2021

Note 15. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity to receive Government stimulus measures in the prior period, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions, vaccination programs and any economic stimulus that may be provided.

Note 16. Contingent liabilities

During the financial half-year there were no legal claims or other contingent liabilities brought against the group.

Note 17. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	31 Dec 2021	31 Dec 2020
<i>Loss for the half-year</i>	(3,678,308)	(7,545,907)
Adjustments for:		
Depreciation and amortisation	390,205	391,578
Net change of financial liabilities through profit and loss	-	2,502,301
Interest on convertible note	-	1,885,751
Share-based payments	454,065	636,685
Change in operating assets and liabilities:		
Increase in trade and other receivables	(140,303)	(131,051)
Decrease/(increase) in other current assets	(188,917)	547,900
Increase in trade and other payables	40,288	1,302,800
Increase in deferred revenue	624,695	458,588
Increase/(decrease) in other provisions	(3,985)	146,134
Net cash from operating activities	(2,502,260)	194,779

Notes to the financial statements

— 31 December 2021

Note 18. Earnings per share

a) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<hr/>		
<i>Basic earnings per share</i>		
<hr/>		
Loss from continuing operations used to calculate basic and EPS from continuing operations	(3,678,308)	(7,545,907)

b) Weighted average number of shares used as the denominator

	Consolidated	
	31 Dec 2021	31 Dec 2020
	('000)	('000)
<hr/>		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.</i>	132,886	68,342

	Cents	Cents
<hr/>		
<i>Continuing Operations</i>		
Basic earnings per share	(0.03)	(0.11)
Diluted earnings per share	(0.03)	(0.11)

Directors' declaration

— 31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Bushby
Director

21 February 2022

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Independent auditor's review report to the members of Felix Group Holdings Limited



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Independent Auditor's Review Report

To the Members of Felix Group Holdings Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Felix Group Holdings (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Felix Group Holdings Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Felix Group Holdings Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$3,674,634 during the half year ended 31 December 2021 and operating cash outflows of \$2,502,260. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Independent auditor's review report to the members of Felix Group Holdings Limited



Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in blue ink that reads "CDJ Smith".

CDJ Smith
Partner – Audit & Assurance

Brisbane, 21 February 2022