

For personal use only



AUSTRALIAN BOND EXCHANGE HOLDINGS LIMITED
> ACN 629 543 193.

ANNUAL REPORT 2022

CONTENTS

| | |
|-----------------------------------|-------------------|
| 2022 Performance Highlights | 1 |
| Our Vision and Purpose | 2 |
| Chairperson's Report | 3 |
| CEO's Year in Review | 4 |
| Business Overview | 5 |
| Corporate Governance Statement | 8 |
| Consolidated Financial Statements | 9 |
| Shareholder Information | 74 |
| Corporate Directory | Inside back cover |

For personal use only

2022 PERFORMANCE HIGHLIGHTS >

7 Years

In Operation

\$2.04m

of private client revenue

↑ 229% on 2021

↑ 94%

New clients

On 2021

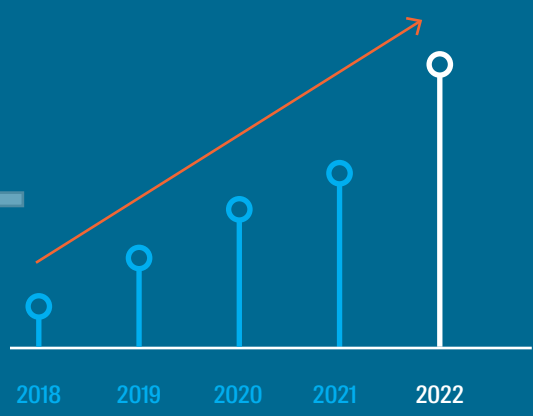
\$65m

of Market Linked Instruments/Products issued (Face Value)

In 2022

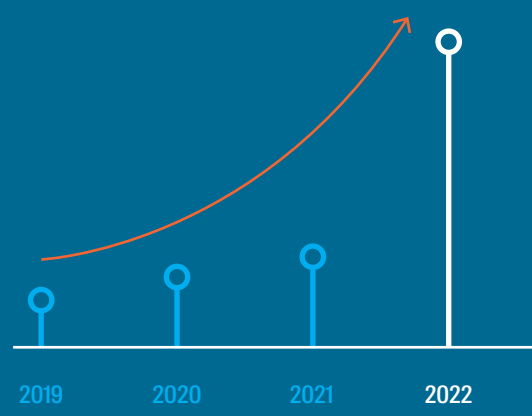
PRIVATE CLIENT TRANSACTION VOLUME

up 61% on 2021



FACE VALUE OF BONDS AVAILABLE THROUGH ABE

increased by 230% on 2021



Successfully Completed two Capital Raises

Completed successful Initial Public Offering on the Australian Securities Exchange

More than doubled the size of the technology team

OUR VISION AND PURPOSE

Everything we do is driven by our vision that everyone should have equal access to financial products.

We work to deliver on this vision by offering investors attractive financial products and providing our clients with an easy, efficient, and transparent means to transact whilst continuing to develop more efficient and transparent solutions.

We provide Australian investors and their advisers with direct access to the Over the Counter (OTC) bond market and provide them with the tools and support they need to invest wisely.

Our Purpose:

Australian Bond Exchange remains focused on:

- Breaking down the barriers to entry for all investors to access financial markets
- Offering market transparency for all investors
- Ensuring investor protections through quotation rules and quality research

Our Investment Proposition:

Australian Bond Exchange is an innovative financial technology and services company providing easy access to the OTC bond market for private investors. We have a highly scalable business model in a largely untapped market, and this is supported by a proprietary technology solution with access to numerous client acquisition channels.

CHAIRPERSON'S REPORT

On behalf of the board of directors I am pleased to present the Annual Report for the financial year ended 30 June 2022.

The 2022 financial year has been a year of significant progress for the Company in establishing itself as a leading provider of fixed interest products to the Australian investor market. This has been achieved whilst managing the challenges presented by the current economic uncertainty and resulting market volatility.

The most significant and transformational event for the company was its listing on the Australian Securities Exchange in December last year. This has been central to management's efforts this financial year in setting up the foundations for future growth and achievement of the company vision.

The past year saw significant growth and strong momentum in the private client business in line with the Company strategy and this strong growth has continued since financial year end. While the impact of COVID19 persisted in Australia during the year, management and staff adapted to the evolving landscape professionally and with care towards clients.

Overall revenue declined as the business experienced a lack of institutional trading activity driven by less favourable market conditions. As private client revenue continues to grow in line with the company strategy, the impact of fluctuations in institutional trading revenue are expected to be reduced.

The 2022 revenue for the group was circa \$2.03 million down 45% on the 2021 revenue as a result of the above-mentioned lack of institutional business activity during the year with the loss for the year rising to \$3.64m from \$345,579 in 2021. The loss was also more pronounced as the company incurred corporate expenses related to the initial public offer.

Our foundations for growth are stronger and our longer-term strategy positions us well for growth, underpinned by our product development activities and a growing team.

We are committed to our strategy of building a thriving business which provides all Australians with the opportunity to acquire sound financial products previously accessible to only institutions and wealthy investors.

In ensuring that we have a sustainable model we are acutely focused on delivering our technology solution, establishing and growing attractive new lines of fixed income products to meet client demand, providing a high level of market transparency currently not a characteristic of the bond market that exists today, and employing highly talented staff in delivering our services to the market. Over the past year, we have recruited strong talent in sales, marketing and technology to support our development and growth.

We were pleased to have received strong support from our shareholders as the Company successfully raised \$15.6 million in its pre-IPO and IPO fund raising rounds which has strengthened our balance sheet and provided the necessary capital to continue growing the Company. These funds enable us to capitalise on our key customer market which remains largely untapped and deploy more resources to client acquisition and revenue generating activities together with developing and bringing to market new fixed income products.

During the year we offered investors the opportunity to invest in Bond Linked Securities backed by reputable household names and these new products have been well received by clients on each occasion with many of these programs being well oversubscribed. The Company's team operating through our wholly owned subsidiary, ABE Capital Markets Pte Limited, in Singapore, has played a key role in facilitating the development of these new market linked instruments which offer the attractive characteristics of fixed income products.

Whilst applying the funds raised to meet the company growth objectives as set out to investors in our prospectus, we take a prudent approach to managing our capital and ensuring that we maintain a healthy balance sheet.

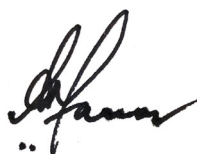
ABE has a clear vision and ambitious business objectives. Our focus on marketing activities that have so far demonstrated strong results are now on accelerating client acquisition.

We have a committed team of experienced and talented executives and brokers. The team spirits are high and remain focused on our core mission to make Australian Bond Exchange the leading provider of high-quality corporate fixed income products in the Australian marketplace by making these investments accessible to all investors. The team is focused on sustainable business growth and delivering more consistent, predictable and reliable returns for our stakeholders.

As we move into 2023 we are looking to leverage our product capability, technology solutions, and marketing and revenue synergies to continue to grow market share and scale our offering with the aim of being the most successful business and trusted name in our industry.

I wish to take this opportunity to thank our shareholders, advisors and Bradley and his team for their efforts and to thank my fellow directors for their contributions and counsel during the year.

Your directors are optimistic about what lies ahead for the Company and look forward to delivering on our objectives and driving value for our shareholders.



Allan Farrar
Chair

CEO'S YEAR IN REVIEW

Dear fellow shareholders,

I would like to take this opportunity to update you on Australian Bond Exchange's activities for the financial year ending 30 June 2022 and the progress made towards achieving our vision of providing all investors, regardless of portfolio size and sophistication, with easy and efficient access to fixed income products through our unique and innovative technology.

The financial year to 30 June 2022 was dominated by the company's listing on the Australian Securities Exchange mid-way through the financial year and was a foundational step in our strategy to focus on Australian investors. Private client revenue grew to \$2.03 million over the financial year, an increase of 229% compared to the prior year. Total revenue was down 45% compared to the prior financial year due to a decrease in institutional trading revenue driven by less favourable market conditions with the company's overall loss for the year rising to \$3.64 million from \$345,579 in the prior year.

The decrease in institutional trading revenue over the period impacted the financial results, however the strong momentum in the growth of private client revenue has been pleasing. Whilst institutional trading revenue is attractive when the opportunity arises, our focus is on growing our private client revenue lines which are expected to deliver a larger and more stable income stream in line with our company strategy.

Mid way through the financial year we undertook two successful capital raisings for a total of \$15.6million in both a pre-IPO and IPO round, resulting in a strong balance sheet and transforming the Australian Bond Exchange into an ASX listed company. The funds raised are being utilised to purchase bond inventory and support our private client business growth, positioning the company well to achieve its vision of becoming the leading provider of bond investments for private clients. The entire team and I are excited about the future of the company.

The expansion of Australian Bond Exchange's dedicated private client sales team and the addition of a dedicated marketing team was a significant contributor to growth during the year. Private client numbers and private client transaction volume increased by 94% and 170% respectively over the period.

To support the seamless scaling up of our business we overhauled and migrated our Customer Relationship Management (CRM) system to further optimise lead generation, marketing efforts and onboarding of clients.

During the year we grew our suite of innovative fixed income products. These were designed specifically to meet the needs of Australian private client investors and attracted significant interest from investors as evidenced by the 60% oversubscribed Rolls Royce Bond Linked Security launched in June. Other fixed income products Australian Bond Exchange launched over the period are linked to Jaguar Land Rover, Xerox Corporation, FHIM Trade Logistics and Goodyear Tire and Rubber.

We were excited to commence a pilot program with ANZ to trial Australian Bond Exchange's transaction and settlement process utilising the New Payments Platform (NPP). We also completed the integration of post trade data feeds with investment platform HUB24/Agility enabling Agility broker clients to easily use their IRESS and Agility platforms with our order matching, settlement, and post trade systems.

With significant achievements this past year in further enhancing the company's technology foundations, management and the Board are confident that Australian Bond Exchange is well positioned to scale its business across several key areas during 2023, including client acquisition, market integration, and product and service innovation.

My thanks to our Directors, management team and staff who have worked tirelessly during a period of significant change for the company. To our clients and shareholders, on behalf of the Australian Bond Exchange thank you for investing alongside us and entrusting us with your capital.



Bradley McCosker
Managing Director and Chief Executive Officer

BUSINESS OVERVIEW

For personal use only

Australian Bond Exchange is an Australian financial technology and services company that uses its proprietary technology to provide Australian Bond Investors with access to the global financial markets.

We are focussed on helping clients with their investments by providing multiple ways to access the financial markets leveraging technology. Our technology provides investors easy and efficient access to financial products that have historically been difficult for them to access, regardless of portfolio size and sophistication.

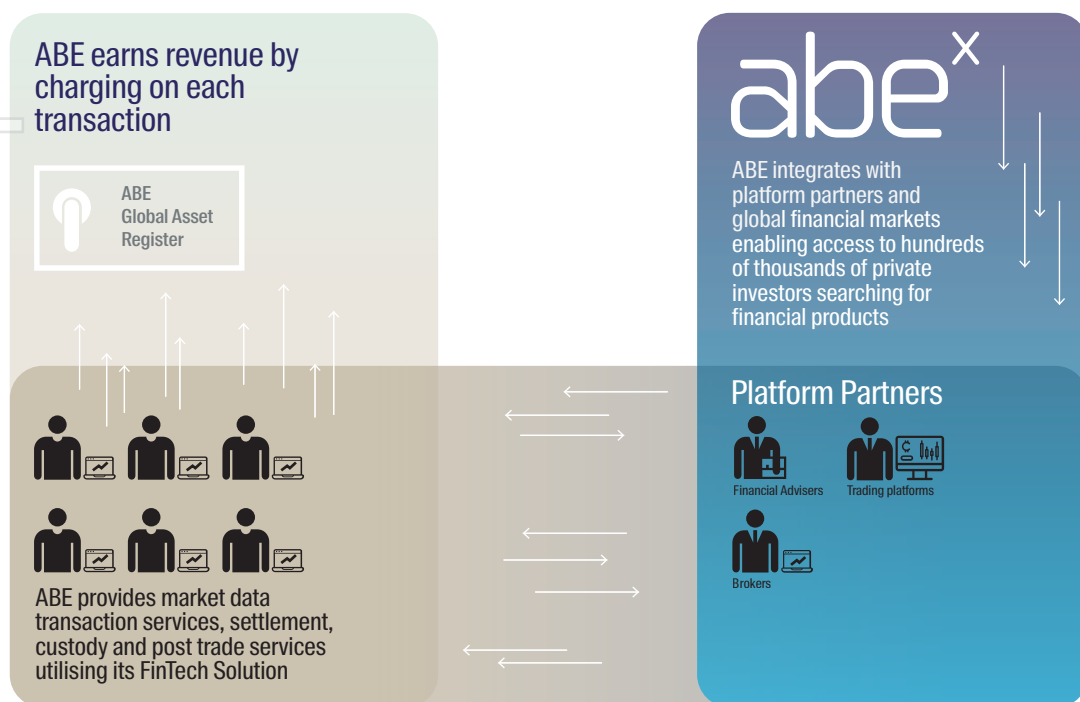
Australian Bond Exchange's business includes providing investment advice and trade execution services, and providing financial advisers and brokers with access to an OTC trade execution and settlement service where they can provide their clients with direct, efficient and cost-effective access to the Australian OTC bond market. Our revenue comes from the following activities:

- securities trading
- brokerage on transactions as part of our financial advice and dealing services division; and
- origination and arranging fees structuring and origination.

Through our unique technology we break down barriers to entry for private client investors by lowering capital entry requirements, significantly reducing transaction costs and improving accessibility to the global financial markets.

Our transaction process provides pre-trade price transparency to private investors, transaction data available to all market participants and post trade reporting accessible to most Australian financial advisers. Our investor protections ensure that each bond made available to private investors meets Australian Bond Exchange's strict minimum standards.

We have a diverse client base that includes private client bond investors such as individuals, SMSFs, as well as institutional investors, such as fund managers and local and global financial institutions.



BUSINESS OVERVIEW

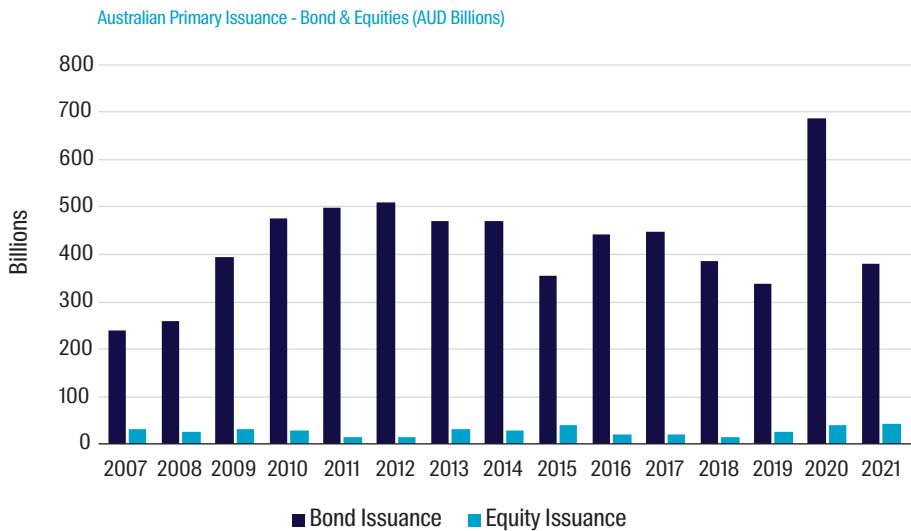
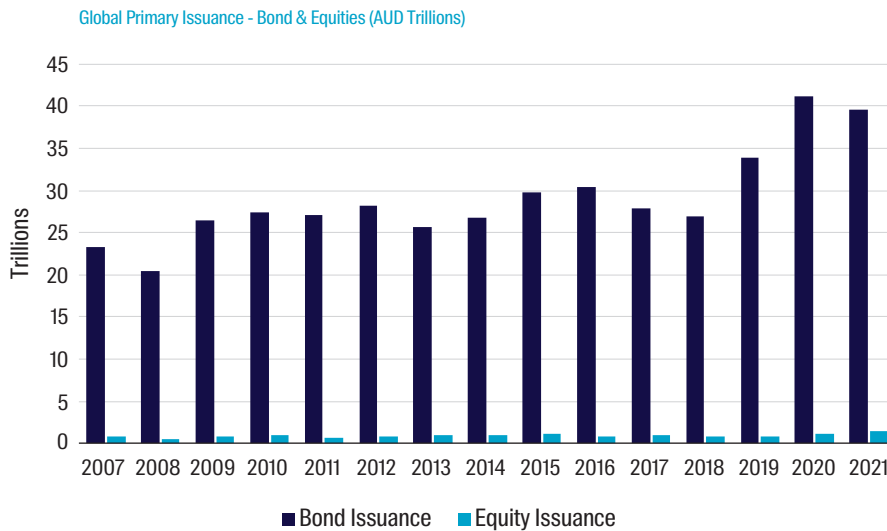
Australian Bond Exchange predominantly operates in the part of the capital markets that is usually referred to as the global over-the-counter (OTC) bond market.

In financial product markets financial products may be traded:

1. on a formalised exchange; or
2. between two counterparties without using a formalised exchange - this type of transaction is called an OTC transaction.

Financial exchanges and clearing and settlement facilities are formalised trading institutions that give rights to trade directly to a limited number of members. Financial exchanges also collect and disseminate pricing information and facilitate centralised settlement of transactions. They also facilitate post-trade risk management between exchange participants. Historically, most equity trading has taken place through financial exchanges while most bond trading has taken place in the OTC market.

The size of the global OTC bond market is significantly larger than the global equity market, as shown below:



This relationship between the debt and equity market is also reflected in Australia. The disparity between the two markets is shown graphically and belies the global trend.

BUSINESS OVERVIEW

While the Australian bond market is significantly larger than the Australian equity market, the historic barriers to entry have made it out of reach to the typical Australian private investor. As a result, the Australian OTC bond market is dominated by sophisticated financial institutions that can transact large trade sizes, particularly compared to the more accessible Australian equity market, and there is a significant underrepresentation of bonds in private client investment portfolios. This includes the approximately \$800billion Australian self-managed superannuation fund (SMSF) investment pool which currently has only a 1.5% allocation to bonds.

Strategy for growth – three core priorities

Australian Bond Exchange's main growth strategy is to gain market share by targeting and growing our private client base. We intend to do this by continuing to:

- Increase sales and marketing activities
- Develop multiple distribution channels including the formal launch of the self-service portal which allows private investors that do not use a financial adviser or broker to trade bonds directly.
- Launch innovative products into the Australian market that satisfy a specific demand for the Australian investor.

Our technology allows for significant business growth, both in terms of the number of users and the number of transactions, whilst keeping the operational costs low.

CORPORATE GOVERNANCE STATEMENT

The board monitors the operational and financial position of the group and oversees the business strategy, including approving the strategic goals of the group and considering and approving its business plan, forecasts and budgets.

The board is committed to ensure the continued sustainability and growth of the company and generating appropriate levels of shareholder value and returns.

In conducting the groups business, the board ensures that the company is properly managed to protect and enhance stakeholder interests and that the company operates under an appropriate framework of corporate governance. In addition to shareholder value, ABE seeks to add a positive impact to the broader investor population, society and the economy.

The Group's Corporate Governance Statement can be viewed at :

www.bondexchange.com.au

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

AUSTRALIAN BOND EXCHANGE HOLDINGS LIMITED
> ACN 629 543 193.

CONTENTS

| | |
|---|----|
| Directors' Report | 10 |
| Auditor's Independence Declaration | 25 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Changes in Equity | 28 |
| Consolidated Statement of Cash Flows | 29 |
| Notes to the Financial Statements | 30 |
| Directors' Declaration | 64 |
| Independent Auditor's Report | 65 |
| Shareholder Information | 69 |

Directors' Report

30 June 2022

The directors present their report, together with the financial statements of the Group, being Australian Bond Exchange Holdings Limited ("the Company") and its controlled entities, for the financial year ended 30 June 2022.

General information

Directors

The names of the directors in office at any time during, or since the end of, the year are:

| Names | Position | Appointed/Resigned |
|--------------------|------------------------|--------------------------|
| Allan Farrar | Non-Executive Chairman | |
| Bradley McCosker | Managing Director | |
| Michael Vanderdonk | Director | |
| Nina Vanneck | Non-Executive Director | Appointed 7 October 2021 |
| Mark Dorney | Non-Executive Director | Resigned 12 July 2021 |

Directors have been in office for the whole of the year to the date of this report, unless otherwise stated.

Company Secretary

The following persons held the position of Company Secretary during the financial year and remain in office unless otherwise stated:

Peter Foltman was appointed Company Secretary on 11 February 2019. Peter has a wealth of knowledge in financial markets gained from over 20 years' experience in various finance roles in investment banking, working both in Australia and overseas with global and local banking institutions including ANZ, Citigroup and Deutsche Bank.

Steven Alperstein was appointed Co-Company Secretary on 7 October 2021. Steven has extensive company secretarial experience, having been the Company Secretary of CIBC Australia Ltd, Star City Holdings Ltd, TAB Limited, Solution 6 Holdings Limited, Ricegrowers' Co-operative Limited (SunRice), Apollo Gas Ltd and Dart Energy Ltd over a long career in governance which included ASX and NASDAQ listings.

Board and Board Committee Meetings and Attendance

The number of meetings of the Board of Directors (the Board) and of the Committees of the Board and the individual attendance by Directors at those meetings which they were eligible to attend, during the financial year, is summarised in the table below. CAR Committee refers to the Compliance Audit & Risk Committee. REM Committee refers to the Remuneration Committee.

| Director Name | Board Meetings * | CAR Committee Meetings * | REM Committee Meetings * |
|------------------------|------------------|--------------------------|--------------------------|
| No. of meetings | 17 | 8 | 3 |
| Allan Farrar | 17/17 | 8/8 | 3/3 |
| Bradley McCosker | 17/17 | 4/4 | 3/3 |
| Michael Vanderdonk | 17/17 | 4/4 | n/a |
| Nina Vanneck | 11/11 | 3/4 | 3/3 |
| Mark Dorney | 1/1 | n/a | n/a |

* Number of meetings attended by the member / total number of meetings eligible to attend as a member.
(n/a) Not a member of Committee.

Principal activities

Australian Bond Exchange Holdings Limited ("ABEH") is the parent company of various controlled entities ("ABE" or "ABE Group"). The main operating entity is Australian Bond Exchange Pty Ltd ("ABEPL") which provides fixed income advice and dealing services in corporate and government bonds and other market-linked instruments.

ABE operates in the global financial markets predominantly in bond trading and advisory services. During the period ABE continued the development of a bond trading and settlement system and method, in addition to its operation as a specialist fixed income dealer and broker. ABEPL owns and operates the fixed income portal www.bondexchange.com.au.

ABEPL holds Australian Financial Services License No. 484453 issued by the Australian Securities and Investments Commission ("ASIC") to provide financial product advice and deal in basic deposit products, deposit products other than basic deposit products, debentures, stocks or bonds issued by a government, managed investment schemes, and securities and also to provide custodial or depository services to wholesale and retail clients.

ABE's business includes providing investment advice and trade execution services and providing financial advisers and brokers with access to an Over The Counter (OTC) trade execution and settlement service where they can provide their clients with direct, efficient and cost-effective access to the Australian OTC bond market. Our revenue comes from the following activities:

- securities trading
- brokerage on transactions as part of our financial advice and dealing services division; and
- origination and arranging fees.

During the year, ABE made the significant step in its corporate history by listing its securities on the Australian Securities Exchange. This has provided with ABE a strong capital position with which to leverage into its next stage of growth.

Objectives

In line with its strategic vision of growing the bond market in Australia, ABE's objectives are to:

- Increase sales and marketing activities to drive clients directly to ABE
- Develop multiple distribution channels to maximise the probability that ABE will reach Australian Private Investors
- Launch innovative products into the Australian market that satisfy a specific demand for the Australian investor.

The capital raise and IPO during the year has provided ABE with the capital base to assist management in meeting these objectives.

ABE is still a relatively small operation in the global financial markets and therefore extremely sensitive to global market conditions making forecasts. Management has committed to manage the capital of ABE in accordance with

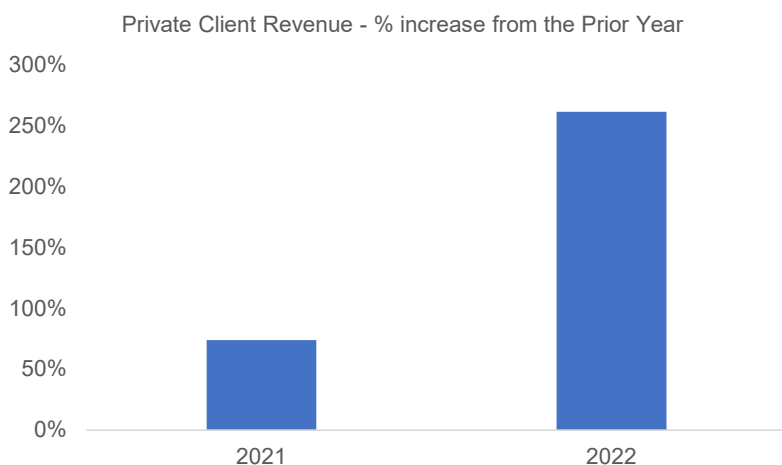
that outlined in the Prospectus issued during 2022, with client acquisition related expenditure (sales and marketing) being the major allocation of funds.

Operating results and review of operations for the year

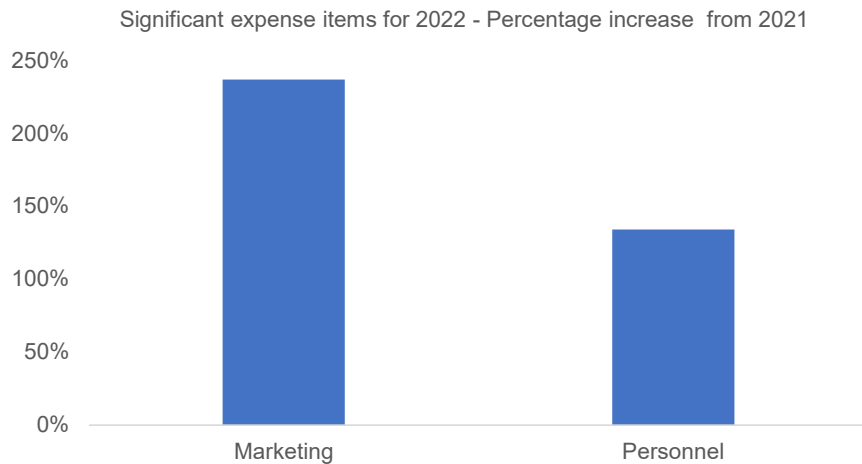
Operating results

The consolidated loss of the Group amounted to \$3,642,758 (2021 loss of \$345,579). The results reflected primarily a reduction in the amount of revenue traditionally attributed to institutional trading the costs associated with the initial public offering during the year, and the initial application of funds raised during the year in accordance with that outlined in the prospectus. Institutional trading is market driven and therefore not within the active control of the management of the company. This revenue line has been a great source of revenue over previous years enabling ABE to fund a significant part of the technology spend since inception via organic revenue instead of raising additional capital. However, it is sporadic, and market driven by nature and hence in any single reporting period can vary significantly compared to other periods and is not reflective of the activity of the business.

The costs associated with the IPO were a one-off item but were deemed necessary to progress ABE to its next stage of growth – one that focusses on private client revenues which over time are expected to overshadow any movement in institutional trading activity. That focus has seen results start to show in 2022 with the increase in private client revenues surging during the year by 229% compared to the prior year primarily on the back of increase spending on marketing and staff following the IPO.



The raising of capital during the year was primarily for the purposes of building out the private client revenue business. Management immediately set about building the team and supporting infrastructure to maximise long term growth of the business. This meant there were increased costs for the one off even of the IPO and also in hiring quality talent, increasing the size of the premises and support items in the six months following the company listing.



While the private client revenues have shown an immediate uplift on the back of the additional spend during the year, there is a lag between the expenditure and the revenue generation which impacted the years results. Therefore, during the 2022 year a significant amount of expenditure was committed to that will generate the bulk of its revenue in 2023.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. There has been no recommendation for payment of dividends.

Review of operations

During the 2022 financial year, the Group continued business as a specialist fixed income adviser and dealer in Australia. The Groups strategy for the 2022 financial year was to strengthen the financial position of the company through additional equity capital, further develop its customer discovery activities, complete the out the trading platform, protect the intellectual property involved in those activities, and complete the initial public offering of the company's shares.

During the year ABE built out its team significantly from the prior year bringing the operation closer to a critical mass of team members able to build on the existing transaction technology, product innovation, and sales and marketing efforts. This places ABE in a strong position heading into 2023.

All private client business activities grew significantly and contributed strongly to private client revenue growth in 2022. The expansion of Australian Bond Exchange's dedicated private client sales and the addition of a dedicated marketing team during the period was a significant contributor to the growth:

- Private client numbers increased by 94% compared to 2021.
- Private client transaction volume grew by 170% compared to 2021.
- Very strong private client retention rate of over 99%.

ABE launched several innovative bond products during 2022. These products were selected and designed specifically for the needs of Australian private client investors and attracted significant interest from clients evidenced by the 60% oversubscribed Rolls Royce Bond Linked Security launched in June. Other bond products available through Australian Bond Exchange are linked to Jaguar Land Rover, Xerox Corporation and Goodyear Tire and Rubber.

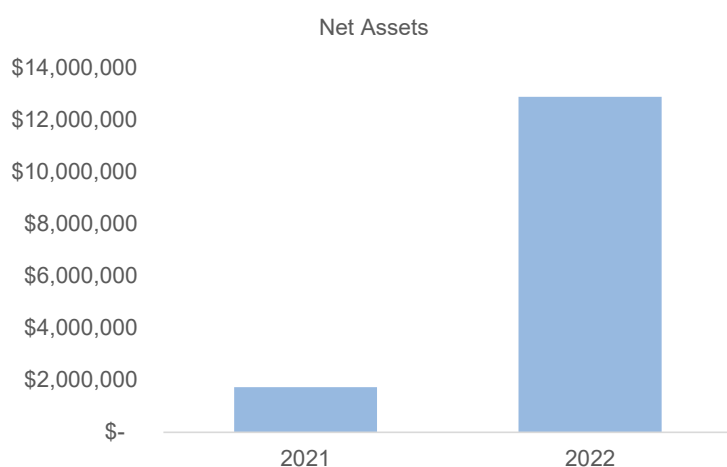
The group significantly progressed a range of technology initiatives during the period, including:

- Commencement of a pilot program to trial Australian Bond Exchange's transaction and settlement process utilising the New Payments Platform (NPP);

- Overhaul and migration of the Australian Bond Exchange's Customer Relationship Management (CRM) system to support the growing sales and marketing teams and enable the business to further optimise the lead generation, marketing efforts and onboarding to support the seamless scaling up of the business;
- Completion of the post trade data feed integration with HUB24's Agility investment platform;
- Enabling HUB24 broker clients to easily use their IRESS and HUB24 systems with Australian Bond Exchange's order matching, settlement, and post trade systems;
- Soft launch of self-service online trade portal through which private clients can directly trade bonds.

Financial Position

The net assets of the Group at 30 June 2022 are \$12,882,953 (2021: \$1,726,421).



The increase in net assets reflects the significant amount of activity undertaken by the team during the year, dominated by the increase in cash via the pre-IPO and IPO capital raises, growth in market linked instruments available for trading and continued development of software technology all adding to the balance sheet, which was offset in part by the loss for the year. The Directors believe that the Group is in a stable financial position to expand and grow its current operations.

Significant changes in state of affairs

The Group was admitted to ASX quotation on 6 December 2021 following its IPO raising which was completed on 29 November 2021.

A Singapore domiciled subsidiary, ABE Capital Markets Pte Ltd, was incorporated on 26 July 2021.

There have been no other significant changes in the state of affairs of the Group during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years

Director information

| | |
|---|--|
| <p>Allan Farrar Qualifications Experience</p> | <p>Non-Executive Chairman Diploma in Accountancy, Diploma of Financial Services, FAICD Allan co-founded ABE in March 2015 and has been a director of each ABE company since incorporation. Allan has been involved in partner roles in professional accounting firms for the last 35 years. His last role in a professional accounting firm was Head of the Corporate Finance business of PKF in Sydney, from which he retired in 2016.</p> |
| <p>Special responsibilities</p> | <p>Chair of Board, Chair of the Remuneration Committee, Member of the CAR Committee.</p> |
| <p>Bradley McCosker Qualifications Experience</p> | <p>Managing Director BEc, Master of Commerce Bradley co-founded ABE in March 2015 and has been a director of each ABE company since incorporation. Bradley has over 25 years of experience in investment banking and in the financial markets. Bradley was the Americas Head of the Client Coverage Group for Deutsche Bank in New York before returning to Australia in 2010. He was also Senior Policy Adviser, Australian Prudential Regulatory Authority as well as Senior Manager for Risk Policy, ASX.</p> |
| <p>Special responsibilities</p> | <p>Chief Executive Officer, Member of the Remuneration Committee</p> |
| <p>Michael Vanderdonk Qualifications Experience</p> | <p>Director BSc, GAICD As a co-founder of ABE, Michael has overseen the technical and engineering design of the infrastructure and systems. He has over 25 years of experience in the Information Technology and Telecommunications industry, developing strategy and implementing business initiatives. Michael worked at EMC (now Dell EMC) Asia on infrastructure, Cloud based computing, big data, artificial intelligence and data science. Previous roles as CSC Australia, KPMG Consulting and Credit Suisse.</p> |
| <p>Special responsibilities</p> | <p>Chief Technology Officer, Chair of the CAR Committee.</p> |
| <p>Nina Vanneck Qualifications Experience</p> | <p>Non – Executive Director B.Comm Nina joined ABE as a Non-Executive Director in October 2021, with over 25 years of experience in media & technology in the UK and Australia. Nina has worked at Google since 2010, and she sits on the Google Australia & NZ management team and is Country Manager of the Publisher Ad Technology division. She represents Google on the Executive Technology Council of IAB Australia. Her career has spanned a mixture of commercial roles in technology sales (at Google), product (at AOL Europe), channel management (News UK), business development (Fairfax), media research (ACNielsen, Virgin Television) and advertising strategy (Yahoo!7).</p> |
| <p>Special responsibilities</p> | <p>Member of the CAR Committee, Member of the Remuneration Committee.</p> |
| <p>Mark Dorney Qualifications Experience</p> | <p>Non – Executive Director B.Comm, LLB, FAICD Mark is an investment banker whose previous roles include as Managing Director and Head of Corporate Finance & Capital Markets in Australia & New Zealand for CITIC CLSA Capital Markets. Mark was also Executive Director of Macquarie and CEO of Southern Cross Austereo and was Head of Equity Capital Markets for Australia and New Zealand at N.M. Rothschild & Sons. He is currently Chairman of Advance Australia, Managing Director of Chevalier Capital and a Director of the UNSW Foundation.</p> |

For personal use only

Beneficial Interests in the Shares of the Company and Related Bodies Corporate

As at the date of this report, the beneficial interests of the Directors and their associates in the shares of Australian Bond Exchange Holdings Limited were:

| Shareholder/Related Party (Director) | Number of Ordinary Shares |
|---|---------------------------|
| Fieldrock Pty Limited (Bradley McCosker) | 51,919,996 |
| Toach Pty Limited (Michael Vanderdonk) | 7,417,142 |
| Anex Industrial Corporation Pty Ltd/Allan Farrar (Allan Farrar) | 7,554,347 |
| Haveningham Pty Limited (Nina Vanneck) | 154,000 |

Remuneration Report

Audited

This Remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Directors of Australian Bond Exchange Holdings Limited ("the Company") and its other key management personnel of the Group for the financial year ended 30 June 2022.

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

This report covers the following Directors and key management personnel

Non Executive Directors

- Allan Farrar – Chairperson
- Nina Vanneck
- Mark Dorney

Executive Directors

- Bradley McCosker – Managing Director & Chief Executive Officer
- Michael Vanderdonk – Chief Technology Officer

Key Management Personnel

- Simon McCarthy – General Manager, Policy and Operations
- Peter Foltman – Financial Controller

Remuneration policy

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. Policies adopted by the Board reflect the relative stage of development of the company, having regard for the size and structure of the organisation.

The Remuneration Committee is responsible for reviewing remuneration arrangements for its Directors and executives and for making recommendations to the Board on remuneration policies.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below, executive remuneration packages do not have guaranteed equity-based components or performance-based components.

The Group's remuneration policy is reviewed at least once a year and is subject to amendments to ensure it reflects the best market practice.

The remuneration policy is structured to ensure the remuneration package properly reflects the person's duties, responsibilities and the level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration policy is designed to attract, motivate and retain a talented team to deliver the strategy devised to create and enhance shareholder value.

It is designed to balance fixed and at-risk components of remuneration aimed at driving performance culture and behaviour.

Fixed Remuneration

Fixed remuneration consists of base remuneration (salary) including any FBT charges as well as employer contributions to superannuation funds, where applicable. Remuneration levels are reviewed annually by the Board.

Performance Linked Remuneration

During the 2022 financial year, the Board of Directors undertook a review of compensation and benefit structures.

The Group may pay a discretionary bonus to eligible employees based on the Groups financial performance for the financial year and the performance of the individual over that same period.

Short-term incentives are provided in the form of cash compensation and Long-term incentives (LTI) are provided in the form of loan funded employee ordinary shares of the company through the Group's Employee Loan Funded Share Plan.

The accounting standards require share-based payments expense to be calculated using the fair value of the shares at grant date, amortised over the relevant performance and service period. 2022 share based payments includes the LTI plan and represents the fair value of rights earned in prior periods. During 2021, the Group did not grant any share-based compensation to KMPs

Share-based compensation benefits are provided to employees under the Group's Employee Loan Funded Share Plan ("ELFSP"). Under the ELFSP, shares issued by the Group to employees with a nonrecourse loan vest 3 years from issue date. All STIs and LTIs are performance related and at the discretion of the Board.

Employee Loan Funded Share Plan (ELFSP)

The Group has adopted an ELFSP to attract high quality talent and foster an ownership culture within ABE and to motivate senior management and Directors to achieve performance targets of the Company. The ELFSP is governed by rules of the kind usually adopted by a public company.

A summary of the terms of the ELFSP is set out below.

| | |
|--|---|
| Type of securities issued under the ELFSP | Shares in ABEH, ranking equally with all other Shares on issue (subject to the restrictions described below). |
| Eligible participants | Any permanent, part-time or casual employee or consultant of ABE and any Director of the Company (Participants). |
| Price of securities issued under the ELFSP | The price per Share will be the volume weighted average price for the five (5) trading days preceding the date of issue of the Shares. |
| Loans to participants | The Company may provide an interest-free, limited recourse loan to a Participant to subscribe for its Shares. The Participant must repay the loan by the date specified as the repayment date by the Company (Repayment Date). The loan must be repaid earlier on the occurrence of any of the following: <ul style="list-style-type: none"> the Participant becoming insolvent or subject to bankruptcy proceedings; the Participant ceasing to be employed by ABE or ceases to be a director of ABEH; the Shares being sold by the Participant or Company where the proceeds are first applied towards repayment of the loan; and the Shares being sold pursuant to a takeover of the Company or similar transaction. |

| | |
|---|--|
| | <p>For so long as the loan is owing, the Company will apply 80% of all cash dividends paid on the Shares towards repaying the loan. If the Participant fails to repay the loan by the Repayment Date:</p> <ul style="list-style-type: none"> interest at 8% per annum will accrue and be payable on the loan once the Repayment Date has passed; and the Company may dispose of or buy-back the Shares, or direct that the Shares be transferred to a person nominated by the Company and apply the proceeds towards repaying the loan. <p>The Company has security over the Shares that are the subject of the loan until the loan is repaid.</p> |
| Restrictions on securities | <p>The Shares cannot be traded, disposed of or encumbered:</p> <ul style="list-style-type: none"> until a three (3) year period has elapsed since the Shares were issued, unless otherwise specified by the Directors (Trading Date); and at any time until the loan for the Shares is repaid in full, otherwise, the Shares are freely tradeable. <p>If the Participant ceases to be employed by ABE or ceases to be a Director of ABEH before the Trading Date, it will no longer be entitled to the Shares.</p> |
| Limit on number of securities issued under the ELFSP | The securities issued under the Plan are limited to a maximum of 5% of the Shares on issue at the date of issue. |
| Amendments | The Board has the discretion to amend the ELFSP or the conditions applying to the issue of any Shares or loan, subject to obtaining shareholder approval to amend the maximum number of Shares that may be granted under the ELFSP, subject to that maximum not exceeding 5% of the Shares on issue at the date of issue, or to make any change to rules 2 (establishment and purpose) and 3 (administration) of the ELFSP. |
| Date by which securities to be issued to Participants | As determined by the Board, but in any event no later than 3 years after the date of ABE's admission to the Official list of the ASX, which occurred on 6 December 2021. |

There have been the following issues of shares under the ELFSP plan to key management personnel as a form of remuneration in the current year and the terms and conditions of shares issued under the ELFSP are as follows:

| Grant Date | Expiry Date | KMP | No. of Shares issued under the plan | Exercise Price | Fair value at grant date |
|------------|-------------|----------------|-------------------------------------|----------------|--------------------------|
| 9-May-22 | 9-May-28 | Simon McCarthy | 200,000 | \$0.3768 | \$45,992 |
| 9-May-22 | 9-May-28 | Peter Foltman | 995,223 | \$0.3768 | \$228,862 |

In accordance with the accounting standards, a share based payments expense of \$13,040 (2021: nil) was recognised in the statement of profit or loss and other comprehensive income for the above ELFSP shares granted to KMP.

The number of shares under the ELFSP in the company held during the financial year by KMP is set out below:

| KMP | Balance 1 July 2021 | Granted | Exercised | Expired/forfeited/other | Balance 30 June 2022 |
|----------------|---------------------|------------------|-----------|-------------------------|----------------------|
| Simon McCarthy | - | 200,000 | - | - | 200,000 |
| Peter Foltman | - | 995,223 | - | - | 995,223 |
| Total | - | 1,195,223 | - | - | 1,195,223 |

The following loans have been provided in accordance with the ELFSP and relate directly to the shares issued under the plan at a subscription price of \$0.3768 per share.

| Key Management Person | Non-Recourse Loans issued during the period |
|-----------------------|---|
| Simon McCarthy | \$75,360 |
| Peter Foltman | \$375,000 |

As the share acquisitions are funded by non-recourse loans, and whilst the loans remain outstanding neither the shares or the associated loans can be recognised in the statement of financial position. For accounting purposes the arrangement is treated similar to a grant of options and accounted for as equity-settled share based payments. The

shares issued under the ELFSP are treated as treasury shares, fair valued on the date they are granted and their value is amortised as an expense in the profit or loss statement over the vesting period.

Shares issued to Executives under Employment Terms

Additionally to the shares issued under the ELFSP there has been an issue of shares to a key management person under the terms of their employment agreement for nil consideration. The shares were issued at the listing price of \$0.65 per share as follows:

| Key Management Person | No. of Shares issued under employment agreement | Fair Value |
|-----------------------|---|------------|
| Peter Foltman | 46,154 | \$30,000 |

Service Agreements with KMP

Remuneration and other key terms of employment for executive directors and other KMP are formalised in employment agreements. Details of the employment agreements with KMP are as follows;

| | |
|-------------------|---|
| Name | Bradley McCosker |
| Title | Chief Executive Officer and Managing Director |
| Term of agreement | Ongoing – no fixed minimum term |
| Details | A total base salary of \$528,000 per annum plus superannuation effective from 1 January 2022, which includes any salary sacrifice arrangements. Either party may terminate the employment agreement by providing 12 months' notice without cause. |

| | |
|-------------------|---|
| Name | Michael Vanderdonk |
| Title | Chief Technology Officer |
| Term of agreement | Ongoing – no fixed minimum term |
| Details | A total base salary of \$275,000 per annum plus superannuation effective from 1 January 2022, which includes any salary sacrifice arrangements. Either party may terminate the employment agreement by providing 12 months' notice without cause. |

| | |
|-------------------|---|
| Name | Simon McCarthy |
| Title | General Manager, Policy & Operations |
| Term of agreement | Ongoing – no fixed minimum term |
| Details | A total base salary of \$150,000 per annum (for a 3-day week) plus superannuation effective 1 January 2022, which includes any salary sacrifice arrangements. Either party may terminate the employment agreement by providing 12 months' notice without cause. |

| | |
|-------------------|--|
| Name | Peter Foltman |
| Title | Financial Controller |
| Term of agreement | Ongoing – no fixed minimum term |
| Details | A total base salary of \$225,000 per annum plus superannuation effective 1 January 2022, which includes any salary sacrifice arrangements. Either party may terminate the employment agreement by providing 12 months' notice without cause. |

In addition to the fixed salary, KMP are entitled to a discretionary bonus approved by the remuneration committee. KMP have no entitlement to termination payments in the event of removal for misconduct.

Service Arrangements with Non-executive directors

The maximum aggregate remuneration of Non-executive Directors excluding Committee fees is capped at \$600,000 or such increased amount as may be approved by Shareholders.

The Group will pay annual Non-executive Directors' fees of \$90,000 per annum and annual Chairperson's fees of \$150,000 per annum, including superannuation to each Non-executive Director.

All Non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Remuneration of key management personnel

Details of the remuneration expenses of key management personnel for the year ended 30 June 2022 are set out in the following table. STIs and LTIs are dependent on the satisfaction of performance conditions dependent on the accountabilities of respective role and their impact on the Group's performance. Employee Loan Funded Share Plan rewards do not vest unless the relevant vesting hurdles are achieved. Fixed elements of remuneration (salary, fees and superannuation benefits) are not directly related to performance.

2022

| | Short-Term Benefits (\$) | | | Post-employment benefits (\$) | Share based payments (\$) | Total Remuneration (\$) | Proportion of remuneration performance related |
|---------------------------------------|--------------------------|----------------|---------------------------|-------------------------------|---------------------------|-------------------------|--|
| | Salary and Fees | Cash Bonus | Other short-term benefits | Superannuation benefits | | | |
| Non Executive Directors | | | | | | | |
| Allan Farrar | 102,375 | - | - | 10,238 | - | 112,613 | 0% |
| Nina Vanneck (i) | 61,364 | - | - | 6,136 | - | 67,500 | 0% |
| Mark Dorney (ii) | - | - | - | - | - | - | 0% |
| Executive Directors | | | | | | | |
| Bradley McCosker | 504,000 | 50,000 | - | 50,400 | - | 604,400 | 8.3% |
| Michael Vanderdonk | 227,500 | - | - | 22,750 | - | 250,250 | - |
| Other Key Management Personnel | | | | | | | |
| Simon McCarthy | 141,462 | - | - | 14,146 | 2,182 | 157,790 | 1.4% |
| Peter Foltman | 202,500 | 100,000 | - | 20,250 | 40,858 | 363,608 | 38.7% |
| Total | 1,239,201 | 150,000 | - | 123,920 | 43,040 | 1,556,161 | 12.4% |

(i) Appointed 7 October 2021

(ii) Resigned 12 July 2021

2021

| | Short-Term Benefits (\$) | | | Post-employment benefits (\$) | Share based payments (\$) | Total Remuneration (\$) | Proportion of remuneration performance related |
|---------------------------------------|--------------------------|------------|---------------------------|-------------------------------|---------------------------|-------------------------|--|
| | Salary and Fees | Cash Bonus | Other short-term benefits | Superannuation benefits | | | |
| Non Executive Directors | | | | | | | |
| Allan Farrar | 54,792 | - | - | 5,205 | - | 59,997 | 0% |
| Mark Dorney (i) | 7 | - | - | - | - | 7 | 0% |
| Executive Directors | | | | | | | |
| Bradley McCosker | 480,000 | - | - | 45,600 | - | 525,600 | 0% |
| Michael Vanderdonk | 180,000 | - | - | 17,100 | - | 197,100 | 0% |
| Other Key Management Personnel | | | | | | | |
| Peter Foltman | 180,000 | - | - | 17,100 | - | 197,100 | 0% |
| Total | 894,799 | - | - | 85,005 | - | 979,804 | 0% |

(i) Appointed 18 December 2020

Director & Executive Disclosures

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2022

| Directors and Other Key Management Personnel | Held at 1 July 2021 | Acquired/Converted | Received as Compensation | Disposed | Held at 30 June 2022 |
|--|---------------------|--------------------|--------------------------|----------|----------------------|
| Allan Farrar* | 7,501,475 | 52,872 | - | - | 7,554,347 |
| Nina Vanneck | - | 154,000 | - | - | 154,000 |
| Mark Dorney | - | - | - | - | - |
| Bradley McCosker | 51,919,996 | - | - | - | 51,919,996 |
| Michael Vanderdonk | 7,417,142 | - | - | - | 7,417,142 |
| Simon McCarthy | - | - | 200,000 | - | 200,000 |
| Peter Foltman | - | - | 1,041,377 | - | 1,041,377 |

* Of the 52,872 acquired/converted by Allan Farrar and his related parties, 44,872 was as a result of additional shares issued to the original Noteholders on 6 September 2021.

2021

| Directors and Other Key Management Personnel | Held at 1 July 2020 | Acquired/Converted | Received as Compensation | Disposed | Held at 30 June 2021 |
|--|---------------------|--------------------|--------------------------|----------|----------------------|
| Allan Farrar | 7,501,475 | - | - | - | 7,501,475 |
| Mark Dorney | - | - | - | - | - |
| Bradley McCosker | 51,919,996 | - | - | - | 51,919,996 |
| Michael Vanderdonk | 7,417,142 | - | - | - | 7,417,142 |
| Peter Foltman | - | - | - | - | - |

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Exercise of options granted as compensation

During the period, there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

Analysis of share-based payments granted as compensation

No shares were issued to non-executive Directors in lieu of Directors fees.

Other transactions with KMP's

Payments relating to short-term incentives earned in prior years, and already expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in prior years totalling \$417,441 were made in 2022. \$377,441 was paid to Bradley McCosker, \$20,000 was paid to Michael Vanderdonk and \$20,000 was paid to Peter Foltman.

End of audited remuneration report.

Environmental regulation

The Group's operations are minimally impacted by any significant law of the Commonwealth or of a State or Territory relating to the environment.

While ABE does not believe it has a material risk to climate change or environmental impacts, its approach to the environmental footprint is a reflection of ABE's actions as a responsible corporate citizen, and our role in the Australian financial services industry.

As a rapidly growing part of Australia's financial services landscape, ABE recognises that it has a part to play in reducing waste and carbon emissions. This includes activities such as the

- minimisation of the impact on the environment of ABE's operational activity
- client statements transmitted electronically rather than in paper form. This resulted in significant reductions in the environmental footprint related to paper production and postage while also benefiting stakeholders by increasing efficiency and transparency of the OTC Bond market.
- technology expenditure improving efficiency and transparency in the OTC market while simultaneously enhancing the long term sustainability of ABE's operations via being a leader in financial technology

Risk and compliance control statement

Under Australian Securities Exchange (ASX) Listing Rules and the ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council, the Company is required to disclose in its Annual Report the extent of its compliance with the 'ASX Principles and Recommendations'.

The Directors have implemented internal control processes for identifying, evaluating and managing significant risks to the achievement of the Group's objectives. These internal control processes cover financial, operational and compliance risks. The Group's corporate governance practices are outlined in further detail in the Corporate Governance Statement section on the Group's website at www.bondexchange.com.au.

Throughout the reporting period, and as at the date of signing of this Annual Report, the Company was in compliance with the ASX Principles and Recommendations to the extent disclosed in the Corporate Governance Statement.

ABE has a multilayered approach to the identification management and mitigation of enterprise risk. Accountability and responsibility for risk governance and management are held at various levels across the ABE Group including the Board, key management personnel and specialists' functions including IT, policy and operations, compliance, and financial control.

ABE has an established enterprise risk management framework. The framework encompasses but is not limited to, the risk governance structure across ABE, the risk strategy and appetite, risk culture and behaviours, and supporting frameworks and processes governing risk assessment, monitoring, and reporting.

The compliance, audit and risk (CAR) committee reviews the enterprise risk management frameworks annually. This review took place during the reporting period.

ABE's Risk management framework involves three lines of defence:

- first line of defence - operational management and staff are accountable for risk management within their business functions
- second line of defence - independent risk management and compliance functions that oversee, and assess risk management in line 1
- third line of defence - independent assurance including external audit to assist the effectiveness of ABE's control environment

Shares under option and loan share plan

Options granted or outstanding

On 21 September 2021 the Company issued 2,100,000 Options to lead manager and associated brokers upon the completion of the Pre IPO capital raising. On 29 November 2021 a further 1,818,051 Options were issued to the lead manager and associated brokers upon the completion of the public offer. In total there were 3,918,051 options issued.

Shares issued on exercise of the Options will rank equally in relation to voting rights and entitlements to participate in dividends.

The options were issued for no consideration, have an exercise price of \$1.95 and expire on 6 December 2026.

Employee Loan Funded Share Plan (ELFSP)

Australian Bond Exchange Holdings Limited (ABE) has adopted an Employee Loan Funded Share Plan (ELFSP) to attract high quality talent and foster an ownership culture within ABE and to motivate senior management and Directors to achieve performance targets of the Group.

Under the ELFSP, interest free non-recourse loans totalling \$825,360 (2021: \$nil) were provided to Employees to acquire shares in the Company. 2,190,446 (2021: nil) ordinary shares were granted on 9 May 2022 and are to remain in escrow until 9 May 2025. The non recourse loans are repayable by 9 May 2028.

The shares granted under the ELFSP are subject to a vesting condition such that employees must remain continuously employed for a period of 3 years from grant date.

Auditor

There are no former partners or Directors of the Company's auditors or former auditors, who are, or were at any time during the financial year, an officer of the Company.

Indemnification and insurance of officers and auditors

During the financial year ABEH entered into agreements under a policy of insurance which includes indemnification of all Directors of the Group named in this report and current officers of the Group against all liabilities to persons (other than the Group), which arise out of the performance of their normal duties as a Director or an Officer.

The premium paid for this insurance was \$129,500.

Under ABEH's Constitution, ABEH indemnifies all past and present Directors and Secretaries of ABEH (including at this time the Directors named in this report and the Secretaries), against certain liabilities and costs incurred by them in their respective capacities. The indemnity covers the following liabilities and legal costs:

- (a) any liability incurred by the person in that capacity (except a liability for legal costs);
- (b) legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity; and
- (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Company's policy, except to the extent that:
- (d) the Company is forbidden by law to indemnify the person against the liability or legal costs; or
- (e) an indemnity by the Company of the person against the liability or legal costs, if given, would be made void by law.

ABEH has also entered into a Deed of Access, Indemnity, Insurance and Disclosure (Deed) with each of the Directors and Secretaries. Under the Deed, ABEH agrees to indemnify the Directors and Secretaries against:

- (a) all liabilities incurred by the Director or Secretary as an Officer of ABEH and each Subsidiary; and all legal costs and other costs and expenses that arise as a consequence of being or of having been an Officer of ABEH or a Subsidiary

No indemnification has been obtained for the auditors of the Company.

Proceedings on behalf of company

No leave or proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Auditor's independence declaration

The auditors independence declaration is in accordance with Section 307C of the Corporations Act 2001 for the year ended 30 June 2022 has been received and can be found on page 25 of this financial report.

Non-Audit Services

Details of the amounts paid or payable to the auditor (KrestonSW Audit Pty Ltd and its related parties) for audit and non-audit services during the year are disclosed in Note 24 Remuneration of auditors.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the CAR Committee and the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors and its related practices for non-audit services provided during the year ended 30 June 2022

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Preparation of Investigating Accountants Report | 48,614 | - |

Signed in accordance with a resolution of the Board of Directors:

Director:



Bradley McCosker

Director:



Allan Farrar

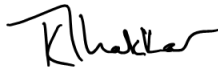
Dated this 29th day of September 2022

Auditor's Independence Declaration

As lead auditor of Australian Bond Exchange Holdings Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Bond Exchange Holdings Limited and the entities it controlled during the year.



Kamal Thakkar
Director

KrestonSW Audit Pty Ltd

Sydney

29 September 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2022

| | | 2022 | 2021 |
|---|------|---------------------------|-------------------------|
| | Note | \$ | \$ |
| Revenue | 4 | 2,029,717 | 4,031,342 |
| Other income | 4 | 456,680 | 624,315 |
| Employee benefits expense | | (2,980,395) | (1,450,414) |
| Brokerage costs | | (548,068) | (2,581,671) |
| Depreciation and amortisation expense | | (67,412) | (44,964) |
| Other expenses | 5 | <u>(2,533,280)</u> | (924,187) |
| Loss before income tax | | (3,642,758) | (345,579) |
| Income tax expense | 6 | <u>-</u> | <u>-</u> |
| Loss for the year attributable to members of the parent entity | | <u>(3,642,758)</u> | <u>(345,579)</u> |
| Other comprehensive income, net of income tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year attributable to members of the parent entity | | <u>(3,642,758)</u> | <u>(345,579)</u> |
| Earnings per share | | | |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 30 | (3.51) | (0.43) |
| Diluted earnings per share (cents) | 30 | (3.51) | (0.43) |

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As At 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|----------------------------------|------|-------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 9,046,931 | 1,440,661 |
| Trade and other receivables | 8 | 929,800 | 945,945 |
| Financial assets | 9 | 1,631,866 | 552,975 |
| Other assets | 10 | 583,632 | 217,626 |
| TOTAL CURRENT ASSETS | | 12,192,229 | 3,157,207 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 19,793 | 9,091 |
| Intangible assets | 12 | 1,629,586 | 1,151,118 |
| TOTAL NON-CURRENT ASSETS | | 1,649,379 | 1,160,209 |
| TOTAL ASSETS | | 13,841,608 | 4,317,416 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 644,152 | 1,999,162 |
| Employee benefits | 14 | 314,503 | 591,833 |
| TOTAL CURRENT LIABILITIES | | 958,655 | 2,590,995 |
| NON-CURRENT LIABILITIES | | | |
| TOTAL LIABILITIES | | 958,655 | 2,590,995 |
| NET ASSETS | | 12,882,953 | 1,726,421 |
| EQUITY | | | |
| Issued capital | 15 | 21,329,562 | 6,808,844 |
| Accumulated losses | | (8,725,181) | (5,082,423) |
| Reserves | 16 | 278,572 | - |
| TOTAL EQUITY | | 12,882,953 | 1,726,421 |

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

2022

| | Note | Issued capital \$ | Accumulated losses \$ | Reserves \$ | Total \$ |
|---|------|----------------------|--------------------------|----------------|--------------------|
| Balance at 1 July 2021 | | 6,808,844 | (5,082,423) | - | 1,726,421 |
| Loss attributable to members of the parent entity | | - | (3,642,758) | - | (3,642,758) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive income for the year | | - | (3,642,758) | - | (3,642,758) |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of ordinary shares | 15 | 15,702,203 | - | - | 15,702,203 |
| Capital raising costs | 15 | (1,181,485) | - | - | (1,181,485) |
| Issue of options | 16 | - | - | 254,673 | 254,673 |
| Issue of shares under Employee Loan Funded Share Plan | 16 | - | - | 23,899 | 23,899 |
| Balance at 30 June 2022 | | 21,329,562 | (8,725,181) | 278,572 | 12,882,953 |

2021

| | Note | Issued capital \$ | Accumulated losses \$ | Reserves \$ | Total \$ |
|---|------|----------------------|--------------------------|----------------|------------------|
| Balance at 1 July 2020 | | 6,999,994 | (4,736,844) | - | 2,263,150 |
| Loss attributable to members of the parent entity | | - | (345,579) | - | (345,579) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive income for the year | | - | (345,579) | - | (345,579) |
| Transactions with owners in their capacity as owners | | | | | |
| Capital raising costs | 15 | (191,150) | - | - | (191,150) |
| Balance at 30 June 2021 | | 6,808,844 | (5,082,423) | - | 1,726,421 |

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|----------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | | 106,576,682 | 69,369,525 |
| Payments to suppliers and employees | | (112,597,243) | (69,648,719) |
| Interest received | | 13,718 | 16,069 |
| Interest paid | | - | (6,549) |
| Grants received | | 298,436 | 324,702 |
| Net cash (used in)/provided by operating activities | 28 | (5,708,407) | 55,028 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Payments for intangible assets | | (570,251) | (418,741) |
| Purchase of property, plant and equipment | | (17,069) | (4,854) |
| Net cash (used in) investing activities | | (587,320) | (423,595) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issues of shares | | 15,672,203 | - |
| Payment of transaction costs attributable to issuance of shares | | (1,770,206) | (161,151) |
| Net cash provided by/(used in) by financial activities | | 13,901,997 | (161,151) |
| Net increase/(decrease) in cash and cash equivalents held | | 7,606,270 | (529,718) |
| Cash and cash equivalents at beginning of year | | 1,440,661 | 1,970,379 |
| Cash and cash equivalents at end of financial year | 7 | 9,046,931 | 1,440,661 |

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2022

The consolidated financial report covers Australian Bond Exchange Holdings Limited ("ABEH" or "The Company") and its controlled entities ("the Group"). Australian Bond Exchange Holdings Limited is a for-profit public Company, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 25 to the financial statements.

Subsidiaries

Subsidiaries are all entities over which the parent has control. Control is established when the parent is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

2. Summary of Significant Accounting Policies continued

(b) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Tax Consolidation

ABEH and its wholly owned Australian subsidiaries elected to form a tax consolidated group on 1 July 2018.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured using the 'stand-alone-taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity. Refer to Note 31.

2. Summary of Significant Accounting Policies continued

(c) Revenue and other income

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The Group recognises revenue from the following major sources:

Securities trading income

The Group operates as a fixed income dealer trading in bonds and other fixed income instruments whereby the Group acting as principal sells or buys bonds or fixed income instruments to/from its clients and the fixed income market. Securities trading income or loss is recognised on the trade date as earned being when performance obligations are met.

Net fees on securities trading

Net fees on securities trading represents revenue from securities trades net of any fees attributable to the party acting as principal in the arrangement. Net fees on securities trading are recognised on the trade date as earned being when performance obligations are met.

Commission income

The Group facilitates investments by its clients direct into bonds and other fixed income instruments. Revenue from this service is received in the form of brokerage commission. Commissions are recognised on trade date of a brokerage transaction, being the date the performance obligation is satisfied.

Arrangement fees

The Group assists with arranging the primary issue of bonds and other fixed income instruments for corporate issuers and other issuers. This gives rise to arrangement fee revenue on issuance of a bond or other fixed income instrument. The Group recognises arrangement fee revenue on the trade date as earned being when performance obligations are met.

Other income

Other income includes any revenue from operating activities other than those described above and arising from activities incidental to the principal business activities of the Group. Other income is recognised on an accruals basis when the Group is entitled to it. Coupon income for bonds held for sale is recognised as other income when the right to receive payment is established.

Government grants

Grants from the government, including R&D rebates, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

2. Summary of Significant Accounting Policies continued

(c) Revenue and other income

Financial assets and liabilities held at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are recognised as an expense in the statement of comprehensive income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments held at fair value through profit or loss' in the period in which they arise.

Finance income

Finance income received by the Group is for interest on bank deposits. Interest income for bank deposits is recognised when earned.

(d) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or the remeasurement is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies continued

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

Plant and equipment are measured using the cost model.

Property, plant and equipment is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

| Fixed Asset Class | Useful Life |
|--------------------------|--------------------|
| Computer Equipment | 4 Years |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate. When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

2. Summary of Significant Accounting Policies continued

(h) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise cash and cash equivalents and trade and other receivables in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost are measured at FVTPL. Net gains or losses, including any interest or coupon income are recognised in profit or loss. The Group's financial assets measured at FVTPL comprise corporate bonds and other market-linked instruments in the statement of financial position.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

2. Summary of Significant Accounting Policies continued

(h) Financial instruments

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group applies the simplified approach to providing for ECL prescribed by AASB 9, which permits the use of the lifetime expected loss provision.

To measure the ECL, financial assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision incorporates forward looking information.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime ECL. The Group has determined the probability of non payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the ECL model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade and other payables.

(i) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

2. Summary of Significant Accounting Policies continued

(i) Impairment of non-financial assets

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Statement of Cash Flows is prepared on the basis of the following basis:

- Where a Group acts as a Principal, the cash flow receipts and payments in relation to the settlement of trades are recorded gross and in line with the revenue recognition policy for Securities trading income as described in Note 2(c);
- Where the Group does not act as a Principal, the cash flow receipts and payments in relation to the settlement of trades are recorded net and in line with the revenue recognition policy for Net fees on securities trading as described in Note 2(c).

(k) Trade and other receivables

Trade receivables include amounts due from securities trading activities performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are normally collected within two days of the trade date and are classified as current assets.

Other operating receivables include amounts due from customers for services performed in the ordinary course of business. Other operating receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other operating receivables are classified as non-current assets.

Other receivables are initially recognised at cost. Other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(l) Dividends

The practice of the Group is to make payment within three days of declaring a dividend and therefore a provision would only be made if the dividend was declared prior to the end of the reporting period but not distributed at the end of the reporting period.

(m) Intangible Assets

Patents

Patents are recognised at cost of acquisition. Patents are carried at cost less accumulated amortisation and impairment losses.

2. Summary of Significant Accounting Policies continued

(m) Intangible Assets

Software and software development costs

Software and software development costs are stated at historical cost less amortisation. In the event the carrying amount of software or software development costs is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the statement of profit or loss and other comprehensive income. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other maintenance costs are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Costs associated with maintaining software is recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets, software development costs, when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software development costs include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as software development costs and are transferred to software from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred.

Software and software development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The amortisable amount of all software is amortised over the asset's useful life to the Group commencing from the time the asset is available for use, based on amortisation rates that are determined once development is completed and useful lives have been appropriately assessed.

The estimated useful lives used for each class of depreciable asset are shown below:

| Fixed asset class | Useful life |
|--------------------------|--------------------|
| Software | 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

2. Summary of Significant Accounting Policies continued

(m) Intangible Assets

Impairment

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. All other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Employee benefits

a. Short-term obligations

Liabilities for wages and salaries, including superannuation, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group has in place a variable remuneration plan whereby eligible employees are paid a variable component of salary according to specified performance targets, and if compliant with the Group's core values and principles. The liability for the variable remuneration plan is expected to be wholly settled within one month after the end of the period in which the employee renders the related service and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

b. Long-term benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected future wage and salary levels, expected employment departures and periods of service. Expected future payments are discounted using the Australian corporate bond discount rate curve as at the end of the reporting period. The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

c. Bonuses

The Group may pay a discretionary bonus to eligible employees based on the Group's financial performance for the financial year and/or the performance of the individual over that same period. The liability for bonus payments is recognised as employment benefits when the Group has an obligation to make such a payment and only when a reliable estimate of the obligation can be made.

2. Summary of Significant Accounting Policies continued

(o) Share based payments

Equity-settled transactions are awards of shares, options or shares under the employee loan funded share plan that are provided in exchange for the rendering of services by employees or other parties.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined with reference to the share price or independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the equity settled transaction, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the equity settled transaction.

The cost of equity-settled transactions is recognised as an expense, or offset against issued capital where it settles capital raising costs, with a corresponding increase in equity over the vesting period. The amount recognised for the financial period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The Group has the following types of equity settled transactions:

Employee loan funded share plan (ELFSP)

The Group operates an employee loan funded share plan (ELFSP) where share issues are funded by non-recourse loans, and are treated for accounting purposes as grants of share options and accounted for as equity settled share-based payments. The shares issued under the ELFSP are fair valued on the date they are granted and amortised as an expense in the statement of profit or loss and other comprehensive income over the vesting period.

Shares issued under employment agreements

The Group will also issue shares to certain employees as part of the terms of their employment contract for no or nominal consideration without conditions or restrictions attached. The shares issued are fair valued on the date they are granted and are expensed immediately.

Lead manager options

The Group issues options to lead managers when certain criteria are met in relation to the Group's fundraising activities, such as the recent Initial Public Offering (IPO). The cost of the equity-settled lead manager options are measured at fair value on grant date and are expensed immediately when conditions are met.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(q) Trade and other payables

Trade payables represent the liabilities outstanding at the end of the reporting period for securities trading activities performed in the ordinary course of business during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within two working days of recognition of the liability. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

2. Summary of Significant Accounting Policies continued

(q) Trade and other payables

Other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid and/or unbilled. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(r) Foreign currency transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction. At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

For foreign operations, the assets and liabilities are translated to Australian dollars using the exchange rates at reporting date, with revenues and expenses translated using the average exchange rates which approximate the rates at the date of the transactions. All resulting foreign exchange differences are recognised in other comprehensive income through a foreign currency reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(s) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 1 July 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

(t) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The below summarises those future requirements, and their impact on the Group where the standard is relevant:

AASB 2021-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. This amendment applies to financial years commencing on or after 1 January 2023. The Group is expected to adopt this standard for the annual reporting period ending 30 June 2024. The directors have determined the impact of the adoption of the above standard does not have a material impact on the financial statements.

AASB 2022-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]

This Standard amends a number of standards as follows:

AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

2. Summary of Significant Accounting Policies continued

(t) New Accounting Standards and Interpretations

AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;

AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and

AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments apply to financial years commencing on or after 1 January 2023. The Group is expected to adopt this standard for the annual reporting period ending 30 June 2024. The directors have determined there will be no impact on the financial statements. The impact is merely to reduce the quantum of accounting policies disclosures to focus on key decision areas and material policies only.

3. Critical Accounting Estimates and Judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving significant estimates and judgements are:

(a) Software development costs

Costs that are directly associated with the development of software are recognised as an intangible asset when certain criteria are met. This capitalisation of costs is based on Management's judgement that the technological and economic feasibility of the underlying project is established.

Once the project has become available for use, Management determine the amortisation rate based on the useful life of the underlying projects which represents the expected time period economic benefits will flow through to the Group.

Refer to Note 2(m) for further details of the Group's policy.

(b) Provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

(c) Arrangement fees

Arrangement fees can be in the form of a set fee where the amount recognised for this performance obligation is set out in the contract with customer. It is also standard practice however to have fee components embedded as part of the purchase price of a corporate bond or other fixed income instrument representing separate performance obligations. When the Group sells the corporate bond or other fixed income instrument, the revenue recognised, being the difference between the buy price and sell price can consist of both an *Arrangement Fee* component as well as *Securities trading income* component. Management uses judgement to allocate the transaction prices between the two performance obligations to recognise the appropriate revenue stream. Management applies its judgement by referencing what a similar instrument would normally generate as *Securities trading income* and uses that as basis for allocating the transaction price to *Arrangement fees*. The amount allocated as an *Arrangement fees* is calculated at the time of the first trade, and is used for all subsequent trades until all original bond / market linked instruments are sold.

3. Critical Accounting Estimates and Judgments continued

(d) Share-based payment transactions

The group measures the cost of equity-settled transactions with employees and suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(e) Value-in-use calculations

The Group tests whether finite life assets have incurred any impairment on an annual basis. The recoverable amount of the cash generating units (CGUs) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The accounting estimates and assumptions used in the value in use calculations are further detailed in Note 12.

4. Revenue and Other Income

Revenue and Other Income

| Revenue from continuing operations - contracts with customers | Note | 2022 | 2021 |
|--|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| Revenue from contracts with customers has been disaggregated as follows: | | | |
| Type of contract | | | |
| - Securities trading income | | 1,433,220 | 287,248 |
| - Net fees on securities trading | | - | 3,412,445 |
| - Arrangement fees | | 168,724 | 184,500 |
| - Commission income | | 427,773 | 147,149 |
| | (a) | <u>2,029,717</u> | <u>4,031,342</u> |
| Other Income | | | |
| - Interest received | | 15,407 | 5,717 |
| - Other income | | 87,561 | 15,318 |
| - Corporate advisory fees | | 8,668 | - |
| - R&D refundable tax rebate | | 345,044 | 298,436 |
| - Cash flow boost grant income | | - | 123,644 |
| - Job keeper grant income | | - | 181,200 |
| | | <u>456,680</u> | <u>624,315</u> |
| Total Revenue and Other Income | | <u>2,486,397</u> | <u>4,655,657</u> |

(a) All revenue from contracts with customers is recognised at a point in time, when the performance obligation is satisfied.

5. Results for the year

The result for the year includes the following specific expenses:

| | 2022 | 2021 |
|---|---------|---------|
| | \$ | \$ |
| Other expenses: | | |
| Rent expense | 203,998 | 140,243 |
| Advertising | 508,939 | 125,440 |
| Administration and management fees | 170,220 | 35,607 |
| Legal and professional fees | 543,370 | 60,552 |
| Insurance | 199,562 | 98,548 |
| Accounting fees | 107,975 | 83,665 |
| Research fees | 151,441 | 37,500 |
| Information technology related expenses | 371,280 | 273,050 |

6. Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | 2022 | 2021 |
|--|----------|----------|
| | \$ | \$ |
| Current tax expense | | |
| Local income tax – current period | - | - |
| Deferred tax expense/(benefit) | - | - |
| Income tax expense/(benefit) | <u>-</u> | <u>-</u> |

(b) Reconciliation of income tax to accounting loss:

| | 2022 | 2021 |
|---|------------------|-----------------|
| | \$ | \$ |
| Loss | (3,642,758) | (345,579) |
| Australian tax rate | 25.00% | 26.00% |
| Tax at the Australian tax rate | <u>(910,690)</u> | <u>(89,851)</u> |
| Add: | | |
| Tax effect of Non-Deductible Expenses: | | |
| - R&D Expenses | 198,301 | 178,376 |
| | <u>(712,388)</u> | <u>88,525</u> |
| Less: | | |
| Tax effect of Non-Assessable Income: | | |
| - Other income (refundable R&D tax offset) | 86,262 | 77,593 |
| - Other income (Grant income cash flow boost) | - | 32,147 |
| Tax losses not recognised | <u>(798,649)</u> | <u>(21,215)</u> |
| Income tax expense | <u>-</u> | <u>-</u> |
| Weighted average effective tax rate | - | - |

7. Cash and Cash Equivalents

| | 2022 \$ | 2021 \$ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 9,046,931 | 1,440,661 |
| | <u>9,046,931</u> | <u>1,440,661</u> |

Cash and cash equivalents do not include the amount of \$606,733 (June 2021: \$12,848,650) held in client trust accounts as at 30 June 2022.

8. Trade and Other Receivables

| | Note | 2022 \$ | 2021 \$ |
|--|------|----------------|----------------|
| CURRENT | | | |
| Trade receivables | | 533,622 | 602,481 |
| Allowance for expected credit losses | (a) | - | - |
| | | <u>533,622</u> | <u>602,481</u> |
| GST receivable | | 44,809 | 45,028 |
| R&D tax rebate receivable | | 345,044 | 298,436 |
| Other receivable | | 6,325 | - |
| Total current trade and other receivables | | <u>929,800</u> | <u>945,945</u> |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The amounts are contractually due within two days of recognition of the receivable.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Allowance for expected credit losses

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2022 is determined as follows, the expected credit losses incorporate forward looking information.

The receivable balance of \$533,622 is current, with a nil expected credit loss provision.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience. Trade receivables are normally collected within two days and to date the Group has not written off any receivable balances and all money owing has been fully recovered.

9. Financial Assets

Financial assets at fair value through profit or loss

| | 2022 \$ | 2021 \$ |
|---------------------------|------------------|------------|
| CURRENT | | |
| Corporate bonds | - | 552,975 |
| Market Linked Instruments | 1,631,866 | - |
| Total | 1,631,866 | 552,975 |

Fair value measurement

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for bonds are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active and transparent markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are traded in a less active and transparent market (for example, over-the-counter bonds and derivatives) is determined using valuation techniques which maximises the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

All the Group's financial assets and liabilities at fair value through profit or loss have been recognised at level 2. The specific valuation techniques used to value the financial instruments held on balance sheet include actual observable market prices, quoted market prices, dealer quotes for the instrument and/or for similar instruments.

10. Other Assets

| | 2022 | 2021 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Prepayments | 527,719 | 138,444 |
| Deposits | 55,913 | 35,248 |
| Other advances | - | 43,934 |
| | <u>583,632</u> | <u>217,626</u> |

11. Property, plant and equipment

| | 2022 | 2021 |
|--|----------------------|---------------------|
| | \$ | \$ |
| PLANT AND EQUIPMENT | | |
| Computer equipment at cost | 36,747 | 19,571 |
| Accumulated depreciation | (16,954) | (10,480) |
| Total computer equipment | <u>19,793</u> | <u>9,091</u> |
| Total property, plant and equipment | <u>19,793</u> | <u>9,091</u> |

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Computer Equipment | Total |
|---------------------------------------|-----------------------|---------------|
| | \$ | \$ |
| Year ended 30 June 2022 | | |
| Balance at the beginning of the year | 9,091 | 9,091 |
| Additions | 17,176 | 17,176 |
| Depreciation expense | (6,474) | (6,474) |
| Balance at the end of the year | <u>19,793</u> | <u>19,793</u> |
| Year ended 30 June 2021 | | |
| Balance at the beginning of the year | 8,071 | 8,071 |
| Additions | 4,854 | 4,854 |
| Depreciation expense | (3,834) | (3,834) |
| Balance at the end of the year | <u>9,091</u> | <u>9,091</u> |

12. Intangible Assets

| | 2022 | 2021 |
|----------------------------|-------------------------|------------------|
| | \$ | \$ |
| Software | 666,303 | 495,215 |
| Accumulated amortisation | (99,868) | (41,130) |
| Total software | <u>566,435</u> | 454,085 |
| Software development costs | 1,063,151 | 694,833 |
| Logo | - | 2,200 |
| Total Intangibles | <u>1,629,586</u> | <u>1,151,118</u> |

The aggregate amount of research and development expenditure recognised as an expense during the period is \$312,987 (2021: \$307,999).

12. Intangible Assets continued

(a) Movements in carrying amounts of intangible assets

| | Note | Logo \$ | Software \$ | Software Development costs \$ | Total \$ |
|--------------------------------------|------|--------------|----------------|--|------------------|
| Year ended 30 June 2022 | | | | | |
| Balance at the beginning of the year | | 2,200 | 454,085 | 694,833 | 1,151,118 |
| Transfers | (i) | - | 24,344 | (24,344) | - |
| Additions | | - | 146,744 | 392,662 | 539,406 |
| Amortisation expense | | (2,200) | (58,738) | - | (60,938) |
| Closing value at 30 June 2022 | | - | 566,435 | 1,063,151 | 1,629,586 |
| Year ended 30 June 2021 | | | | | |
| Balance at the beginning of the year | | 2,200 | - | 771,307 | 773,507 |
| Transfers | (i) | - | 300,429 | (300,429) | - |
| Additions | | - | 194,786 | 223,955 | 418,741 |
| Amortisation expense | | - | (41,130) | - | (41,130) |
| Closing value at 30 June 2021 | | 2,200 | 454,085 | 694,833 | 1,151,118 |

(i) When the software is available for use, the asset is transferred from software development costs to software in line with the groups accounting policy

The group identifies its operations as a single cash-generating unit ('CGU') and, therefore, the recoverable amount has been determined at the Group level.

The recoverable amount of the group's CGU has been determined by value-in-use ('VIU') calculations. The calculations use cash flow projections based on the business plan approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The following key assumptions were used in the VIU model:

- Pre-tax discount rate of 40% (2021: 40%);
- Projected growth rate of 2% (2021: 2%) beyond five year period for the CGU; and
- Increase in operating costs and overheads based on current expenditure levels adjusted for inflationary increases.

Sensitivity analysis:

Management estimates that any reasonable changes in the key assumptions would not have a significant impact on the value-in-use of software development that would require the assets to be impaired.

13. Trade and Other Payables

| | 2022 \$ | 2021 \$ |
|----------------|----------------|------------------|
| CURRENT | | |
| Trade payables | 425,825 | 1,822,455 |
| Other payables | 218,327 | 176,707 |
| | 644,152 | 1,999,162 |

Trade payables represent the liabilities outstanding at the end of the reporting period for securities trading activities performed in the ordinary course of business which remain unpaid at the reporting date and where the amounts are contractually due within two days of recognition of the liability.

14. Employee Benefits

| | 2022 \$ | 2021 \$ |
|-------------------------|----------------|----------------|
| CURRENT | | |
| Annual leave | 310,719 | 174,392 |
| Other employee benefits | 3,784 | 417,441 |
| | <u>314,503</u> | <u>591,833</u> |

15. Issued Capital

| | 2022 \$ | 2021 \$ |
|--|-------------------|------------------|
| 114,858,561 (2021: 80,972,416) Ordinary shares | 22,154,922 | 6,808,844 |
| Less: Treasury shares 2,190,446 (2021: nil) | (825,360) | - |
| | <u>21,329,562</u> | <u>6,808,844</u> |

(a) Movements in ordinary shares

| | | No. | \$ |
|---|-------------|--------------------|-------------------|
| Opening Balance at 1 July 2021 | Note | 80,972,416 | 6,808,844 |
| Movement | | | |
| 6 Sep 2021: Issue of additional converting note shares | (c) (i) | 3,661,540 | - |
| 8 Sep 2021: Issue of Pre IPO shares | (c) (ii) | 10,000,000 | 5,000,000 |
| 21 Sep 2021: Issue of Pre IPO shares | (c) (iii) | 6,800,000 | 3,400,000 |
| 29 Nov 2021: Issue of Subscription Shares under the Offer | (c) (iv) | 11,188,005 | 7,272,203 |
| 9 May 2022: Issue of shares under Employee Loan Funded Share Plan (ELFSP) | (c) (v) | 2,190,446 | 825,360 |
| 13 May 2022: Issue of shares to employees | (c) (vi) | 46,154 | 30,000 |
| Less: Capital raising costs | (c) (vii) | - | (1,181,485) |
| Balance as at 30 June 2022 | | 114,858,561 | 22,154,922 |
| | | <u>80,972,416</u> | <u>6,999,994</u> |
| Opening Balance at 1 July 2020 | | 80,972,416 | 6,999,994 |
| Movement | | | |
| Less: Capital raising costs | | - | (191,150) |
| Balance as at 30 June 2021 | | 80,972,416 | 6,808,844 |

Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Restricted shares

Of the 114,858,561 shares on issue, there are 79,982,379 restricted ordinary shares as follows:

- 2,307,691 ordinary shares are restricted from trading until 8 September 2022;
- 1,569,230 ordinary shares are restricted from trading until 21 September 2022;
- 73,915,012 ordinary shares are restricted from trading until 6 December 2023;

15. Issued Capital continued

(b) Movements in treasury shares

| | Note | No. | \$ |
|---|---------|--------------------|------------------|
| Opening Balance at 1 July 2021 | | - | - |
| Movement | | | |
| 9 May 2022: Issue of shares under Employee Loan Funded Share Plan (ELFSP) | (c) (v) | (2,190,446) | (825,360) |
| Balance as at 30 June 2022 | | <u>(2,190,446)</u> | <u>(825,360)</u> |

Treasury shares

Treasury shares relate to ELFSP shares, which are restricted until the associated loans have been fully repaid. - refer to note 17(b)

- 2,190,446 ordinary shares are restricted from trading until 9 May 2025, under the terms of the ELFSP.

(c) Explanation of Movements

- (i) On 6 September 2021, the Company issued additional shares to the original Noteholders under the following terms:
- the Converting Notes had a value of \$0.60 [which was 40% discount to the then proposed listing issue price of \$1.00];
 - if the listing issue price was less than \$1.00, then ABEH was to issue the Noteholder with further shares on a pro rata basis, with the result that at the time of lodgement of a prospectus by the Issuer with ASIC, the number of shares held by the Noteholder in ABEH in aggregate would reflect a shareholding issued at a 40% discount to the listing issue price;
 - the conversion of the Converting Notes into fully paid ordinary shares in the Issuer occurred on 6 September 2021.

As the listing price agreed with the Lead Manager had been set at \$0.65 per ordinary share, the Noteholders had been issued with further shares to reflect a conversion of their notes to ordinary shares at a 40% discount to that issue price. The effective issue price to noteholders upon conversion now being \$0.39 (\$0.65 x 60%).

- (ii) On 8 September 2021, the Company issued 10,000,000 shares at \$0.50 as part of the Pre IPO offer.
- (iii) On 21 September 2021, the Company further issued 6,800,000 shares at \$0.50 as the final close of its Pre IPO raising.
- (iv) On 29 November 2021, the public share offer closed with 11,188,005 shares issued at \$0.65.
- (v) On 9 May 2022, the Company issued 2,190,446 shares at \$0.38 to employees under the Employee Loan Funded Share Plan, and are treated as treasury shares.
- (vi) On 13 May 2022, the Company issued 46,154 shares at \$0.65 to an employee under the terms of employment agreement.
- (vii) Capital raising costs recognised against equity include costs associated with the Pre IPO and IPO raisings, which include lead manager options, refer to note 17(a).

15. Issued Capital continued

(d) Capital Management

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Group defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Group manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. To maintain or adjust the capital structure, the Group may consider a debt facility, issue shares, or other methods of financing, or adjust the size and timing of dividends paid to shareholders.

The Board also monitors a range of financial metrics including return on capital employed and gearing ratios. As at the date of this report, the Group had no net debt (2021: nil) and Total Equity of \$12,882,953 (2021: \$1,726,421).

16. Share-based payments reserve

The reserve is used to recognise the value of equity settled transactions with employees as part of their remuneration and other parties as part of their compensation for services.

Movements in reserves

| | Note | Options No. | ELFSP shares No. | \$ |
|--|-------|------------------|------------------------|----------------|
| Opening Balance at 1 July 2021 | | - | - | - |
| 21 September 2021: Issue of pre-IPO lead manager options | 17(a) | 2,100,000 | - | 136,500 |
| 29 November 2021: Issue of IPO lead manager options | 17(a) | 1,818,051 | - | 118,173 |
| 9 May 2022: Issue of ELSFP shares | 17(b) | - | 2,190,446 | 23,899 |
| Balance as at 30 June 2022 | | 3,918,051 | 2,190,446 | 278,572 |

17. Share Based Payments

(a) Lead manager options

On 21 September 2021 the Company issued 2,100,000 Options to lead manager and associated brokers upon the completion of the Pre IPO capital raising. On 29 November 2021 a further 1,818,051 Options were issued to the lead manager and associated brokers upon the completion of the public offer. In total there were 3,918,051 options issued.

Shares issued on exercise of the Options will rank equally in relation to voting rights and entitlements to participate in dividends.

Fair Value Measurement

The options were valued independently using the Black-Scholes Model.

The model inputs for Lead Manager Options issued during the year ended 30 June 2022 included:

- Lead Manager Options were issued for no consideration;
- an exercise price of \$1.95 per Option;
- Options are exercisable at any time after 15 January 2024 and expiring on 6 December 2026;
- Annualised volatility was assumed between 39.5% and 50.6% (with midpoint being applied);
- Risk free interest rate assumed was a constant Australian risk-free rate of 1.25%.

17. Share Based Payments continued

(b) Employee loan funded share plan (ELFSP)

Australian Bond Exchange Holdings Limited (ABE) has adopted an Employee Loan Funded Share Plan (ELFSP) to attract high quality talent and foster an ownership culture within ABE and to motivate senior management and Directors to achieve performance targets of the Group.

Under the ELFSP, 2,190,446 (2021: nil) ordinary shares were granted on 9 May 2022 and are to remain in escrow until 9 May 2025. Interest free non-recourse loans totalling \$825,360 (2021: \$nil) were provided to employees to acquire shares in the Company. The non-recourse loans are repayable by 9 May 2028.

The shares granted under the ELFSP are subject to a vesting condition such that employees must remain continuously employed for a period of 3 years from grant date.

As the share purchases are funded by non recourse loans, they are treated for accounting purposes as grants of share options and accounted for as equity settled share based payments. The shares issued under the ELFSP are fair valued on the date they are granted and amortised as an expense in the profit or loss over the vesting period.

The options were valued independently using the Black-Scholes Model.

The model inputs used to determine the fair value of ELFSP shares granted during the year ended 30 June 2022 include:

- grant date: 9 May 2022
- expiry date: 9 May 2025 to 9 May 2028
- share price at grant date: \$0.41
- exercise price: \$0.3768
- estimated annualised volatility: 70.0%, based on the 3-5 year rolling volatility of comparable companies
- risk free interest rate: 3.01% p.a. for 3 years and 3.34% p.a. for 6 years as at grant date.

The fair value of the ELFSP shares as at the grant date, 9 May 2022, was assessed to be \$503,715 (2021: \$nil). As the loans and associated shares are not recorded in the statement of financial position on the grant date, there are no transactions in the statement of financial position relating to the loans associated with the issue of shares under the ELFSP.

(c) Shares issued to Employees under Employment Terms

On 13 May 2022, ABE issued 46,154 shares to an employee under the terms of their employment agreement. The shares were issued without any conditions or restrictions attached, and for no consideration. A share-based payment expense of \$30,000 (2021: \$nil) has been recognised in employee benefits expense in the statement of profit or loss and other comprehensive income. The fair value was determined with reference to the share price on issue date.

(d) Share-based payment transactions recognised directly in equity

The following expenses relate to lead manager options and were recognised as capital raising costs in issued capital with a corresponding entry to the share-based payments reserve:

| | | 2022 | 2021 |
|---------------------------------|-------|---------|------|
| | Note | \$ | \$ |
| Options issued to lead managers | 17(a) | 254,673 | - |

For personal use only

17. Share Based Payments continued

(e) Share-based payment transactions recognised directly in profit or loss

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense in the statement of profit or loss and other comprehensive income were as follows:

| | | 2022 | 2021 |
|---|--------|---------------|----------|
| | Note | \$ | \$ |
| Shares issued under ELFSP | 17 (b) | 23,899 | - |
| Shares issued to employees under employment terms | 17 (c) | 30,000 | - |
| | | <u>53,899</u> | <u>-</u> |

18. Contractual commitments

Future expenditure arising from contracts entered into as the end of the reporting period but not yet recognised as liabilities is as follows:

| | 2022 | 2021 |
|--|---------|---------|
| | \$ | \$ |
| Partnership agreements for research and marketing services | 123,750 | 332,750 |
| Rental agreements | 203,575 | 145,745 |
| Public and Investor relations | 110,550 | - |

19. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, corporate bonds and market linked securities, trade and other receivables and payables and loans from related parties.

The totals for each category of financial instruments, measured as detailed in the accounting policies to these financial statements, are as follows:

| | 2022 | 2021 |
|---|-------------------|--------------------|
| | \$ | \$ |
| Cash and cash equivalents | 9,046,931 | 1,440,661 |
| Trade and other receivables | 539,947 | 602,481 |
| Financial assets at fair value through profit or loss | 1,631,866 | 552,975 |
| Total financial assets | 11,608,597 | 2,939,581 |
| Financial liabilities | | |
| Trade and other payables | (568,748) | (1,950,805) |
| Total financial liabilities | (568,748) | (1,950,805) |

Financial risk management policies

The Group's activities expose it to the following risk through its use of financial instruments: credit risk, liquidity risk and market risk consisting of foreign currency risk and price risk.

The Board of Directors has overall responsibility for establishing the Group's risk management framework. Risk management policies and systems are established to identify and assess the risks faced by the Group, set appropriate risk limits, to monitor risks and adherence to risk policies. Risk management policies are reviewed regularly to reflect changes in market conditions and activities undertaken by the Group.

The Board oversees how management monitors compliance with the Group's risk management policies and systems. The Group's Compliance function provides regular training to all employees with the aim of developing a disciplined risk management environment with each employee understanding their responsibilities.

19. Financial Risk Management continued

Mitigation strategies for specific risks faced are described as follows:

Market risk

Foreign exchange risk

The Group is exposed to foreign currency sensitivity due to supplier agreements and staff payments denominated in USD and SGD.

To mitigate the Group's exposure to foreign currency risk, non-Australian dollar cash flows are monitored to ensure that they remain at an acceptable level.

The Group may enter into forward contracts to protect against foreign exchange risk where it is deemed that the risk of a depreciation in the Australian dollar warrants such an action.

The Group has not performed a sensitivity analysis relating to its exposure to foreign currency risk as the short-term exposure is limited.

Price risk

The Group is exposed to bond securities price risk. This risk is the potential for losses in earnings as a result of adverse market movements and arises from investments held by the Group and classified as financial assets at fair value through profit or loss.

To manage its price risk arising from exposure to bond and market linked securities, the Group may use futures contracts to reduce market risk on its portfolio. The performance of the Group's bond exposures and market risk are monitored on a regular basis. The trading and management of bond positions are separated by performance of those activities by independent departments within the Group.

| | 2022 | | 2021 | |
|-------------------------|--------|----------|--------|----------|
| | +5.00% | -5.00% | +5.00% | -5.00% |
| | \$ | \$ | \$ | \$ |
| Impact on post-tax loss | 81,593 | (81,593) | 27,649 | (27,649) |
| Impact on equity | 81,593 | (81,593) | 27,649 | (27,649) |

Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturities of financial liabilities

| | Not later than 1 month | |
|--------------------------|------------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade and other payables | 568,748 | 1,950,805 |
| Total | 568,748 | 1,950,805 |

For personal use only

19. Financial Risk Management continued

Credit risk

The Group's credit risk arises from cash and cash equivalents, corporate bonds and market linked securities, deposits with banks and credit exposures to wholesale and retail customers, including outstanding receivables from unsettled transactions.

The Group has the following credit risks:

| | 2022 | 2021 |
|---|------------------|------------------|
| Cash at bank | \$ | \$ |
| AA | 9,046,931 | 1,440,661 |
| | <u>9,046,931</u> | <u>1,440,661</u> |
| Corporate bonds and market linked securities | | |
| Not rated | 1,631,866 | 552,975 |
| Total | <u>1,631,866</u> | <u>552,975</u> |

The following ageing analysis details the Group's trade and other receivables exposed to credit risk. Receivables that are past due are assessed for impairment and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

| | 2022 | 2021 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Neither past due nor impaired | 539,947 | 602,481 |
| Past due but not impaired | - | - |
| Past due and impaired | - | - |
| Total | <u>539,947</u> | <u>602,481</u> |

The Group's management considers that all the above financial assets are not impaired nor are there any expected credit losses for the reporting date.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Based on historic information on customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be of good credit quality.

The credit quality of financial assets can be assessed by reference to external credit ratings. These credit ratings are only available for cash assets and non-exchange traded derivative financial assets.

In respect of bond and market linked instrument transactions, the settlement is executed as delivery versus payment. Therefore, there is limited exposure to risk of debtor non-performance.

20. Tax Assets and Liabilities

| Current tax balances | 2022 | 2021 |
|--------------------------------|----------|----------|
| | \$ | \$ |
| Income tax payable | - | - |
| Current tax liabilities | - | - |

(a) Deferred tax assets

| | Opening Balance \$ | Charged to Income \$ | Charged directly to Equity \$ | Closing Balance \$ |
|-------------------------------------|--------------------------|----------------------------|--|--------------------------|
| Tax losses | 428,424 | 118,933 | - | 547,357 |
| Employee benefits | 29,680 | 15,662 | - | 45,342 |
| Accrued expenses | 19,931 | (7,140) | - | 12,791 |
| Capital raising costs | 31,245 | (2,850) | - | 28,395 |
| Set-off of deferred tax liabilities | (245,358) | (91,720) | - | (337,078) |
| Deferred tax assets not recognised | (263,922) | (32,885) | - | (296,807) |
| Balance at 30 June 2021 | - | - | - | - |
| Tax losses | 547,357 | 752,312 | - | 1,299,669 |
| Employee benefits | 45,342 | 27,791 | - | 73,133 |
| Accrued expenses | 12,791 | 9,838 | - | 22,629 |
| Capital raising costs | 28,395 | 92,514 | - | 120,909 |
| Set-off of deferred tax liabilities | (337,078) | (143,997) | - | (481,075) |
| Deferred tax assets not recognised | (296,807) | (738,458) | - | (1,035,265) |
| Balance at 30 June 2022 | - | - | - | - |

(b) Deferred tax liabilities

| | Opening Balance \$ | Charged to Income \$ | Charged directly to Equity \$ | Closing Balance \$ |
|-------------------------------------|--------------------------|----------------------------|--|--------------------------|
| Property, plant and equipment | 2,220 | 144 | - | 2,364 |
| Prepaid Expenses | 31,029 | 4,966 | - | 35,995 |
| Intangible assets | 212,109 | 86,610 | - | 298,719 |
| Set-off of deferred tax liabilities | (245,358) | (91,720) | - | (337,078) |
| Balance at 30 June 2021 | - | - | - | - |
| Property, plant and equipment | 2,364 | 1,719 | - | 4,083 |
| Prepaid Expenses | 35,995 | 33,601 | - | 69,596 |
| Intangible assets | 298,719 | 108,677 | - | 407,396 |
| Set-off of deferred tax liabilities | (337,078) | (143,997) | - | (481,075) |
| Balance at 30 June 2022 | - | - | - | - |

20. Tax Assets and Liabilities continued

(c) Tax losses

| | 2022 | 2021 |
|---|------------------|----------------|
| | \$ | \$ |
| Unused tax losses for which no deferred tax asset has been recognised | 4,141,060 | 1,141,565 |
| Potential tax benefit @ 25.0% (2021:26.0%) | <u>1,035,265</u> | <u>296,807</u> |

No income tax benefit was recognised in respect of unused tax losses. This income tax benefit arising from tax losses will only be realised if:

- (i) the Group derives future assessable income of a nature and an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; maintains the continuity of ownership test and has carried on the same business since the tax loss was incurred; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The Group has adopted the small business tax rate for the Australian entities, being 25.0% (2021:26.0%). The Group meets the small business eligibility criteria set by the Australian Taxation Office.

21. Operating Segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

The products sold and/or services provided by the segment; the type or class of customer for the products or services; any external regulatory requirements.

Performance is measured based on segment profit before income tax as included in the internal financial reports.

The Group has one reportable segment, being the provision of fixed income advice and dealing in Corporate and Government Bonds and fixed income instruments.

22. Dividends

There were no dividends paid during the reporting period nor declared after the end of the reporting period.

23. Key Management Personnel Remuneration

The total key management personnel remuneration paid or payable for the year is shown below:

| | Note | 2022 | 2021 |
|------------------------------|------|------------------|----------------|
| | | \$ | \$ |
| Short-term employee benefits | (a) | 1,389,201 | 894,799 |
| Post-employment benefits | | 123,920 | 85,005 |
| Share-based payments | | 43,041 | - |
| | | 1,556,162 | 979,804 |

(a) Included in key management personnel remuneration, in Short-term employee benefits, is \$181,498 (2021: \$171,716) that has been capitalised as part of Development costs in Intangible assets for the year. Refer to Note 12.

24. Auditors' Remuneration

| | 2022 | 2021 |
|--|----------------|---------------|
| | \$ | \$ |
| Remuneration of the auditor, KrestonSW Audit Pty Ltd, and its related practices for: | | |
| - auditing or reviewing the financial statements | 86,147 | 28,676 |
| - other services | 48,614 | - |
| | 134,761 | 28,676 |

Other services relate to advisory services in relation to the initial public offering and listing of Australian Bond Exchange Holdings Limited on the Australian Stock Exchange (ASX).

25. Interests in Subsidiaries

(a) Composition of the Group

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2022 | Percentage Owned (%)* 2021 |
|--|--|-------------------------------------|----------------------------------|
| Subsidiaries: | | | |
| Australian Bond Exchange Pty Ltd ("ABEPL") | Australia | 100 | 100 |
| ABE Settlements Pty Ltd | Australia | 100 | 100 |
| BX Provider Services Pty Ltd Australia ** | Australia | 100 | 100 |
| ABX Operations Pty Ltd Australia ** | Australia | 100 | 100 |
| ABE Capital Markets Pte Ltd *** | Singapore | 100 | - |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries

**These entities are subsidiaries of Australian Bond Exchange Pty Ltd

***ABE Capital Markets Pte Ltd was incorporated on 26 July 2021

(b) Significant restrictions relating to subsidiaries

There are no significant restrictions to access or use the assets and settle the liabilities of the Group.

26. Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2022 (30 June 2021:None).

27. Related Parties

(a) The Group's main related parties are as follows:

- (i) Key management personnel - Disclosures relating to key management personnel are set out in Notes 23.
- (ii) Subsidiaries - refer to Note 25.
- (iii) Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

The following transactions occurred with related parties:

- (i) The corporate bond and market linked instrument transactions with related parties represent the amounts that key management personnel and other related parties have paid or been paid for bonds they had purchased or sold as clients of the Group.

| | 2022 | 2021 |
|-----------|-----------|-----------|
| | \$ | \$ |
| Purchases | 4,231,037 | 1,795,825 |
| Sales | 698,727 | 50,769 |

- (ii) Brokerage paid or payable to related parties was \$105,094 (2021: \$ 742,502). These amounts are included in Brokerage costs in the statement of profit or loss and other comprehensive income. The balance payable at 30 June 2022 was \$13,596 (2021: \$42,127).

(c) Loans to/from related parties

There were no loans to or from related parties during the year.

28. Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

| | 2022 | 2021 |
|---|--------------------|---------------|
| | \$ | \$ |
| Loss for the year | (3,642,758) | (345,579) |
| Cash flows included in loss for the year attributable to financing activities | | - |
| - capital raising costs | 516,642 | - |
| Non-cash flows in loss: | | |
| - share based expense | 53,899 | 00000 |
| - depreciation | 6,474 | 3,834 |
| - amortisation | 60,938 | 41,130 |
| Changes in operating assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | 16,145 | (534,152) |
| - (increase) in other assets | (41,454) | (80,908) |
| - (increase) in financial assets | (1,078,891) | (552,975) |
| - increase/(decrease) in trade and other payables | (1,322,072) | 1,457,213 |
| - increase/(decrease) in employee benefits | (277,330) | 66,465 |
| Cashflows (used in) operations | <u>(5,708,407)</u> | <u>55,028</u> |

29. Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

30. Earnings per Share

| | 2022 | 2021 |
|---------------------------------|--------------------|------------------|
| | \$ | \$ |
| Loss from continuing operations | <u>(3,642,758)</u> | <u>(345,579)</u> |

| | No. | No. |
|---|--------------------|-------------------|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS | <u>103,822,657</u> | <u>80,972,416</u> |

The 3,918,051 options granted in September 2021 and November 2021 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2022. These options could potentially dilute basic earnings per share in the future.

The weighted average number of ordinary shares to calculate basic earnings per share excludes 2,190,446 (2021: nil) treasury shares.

31. Parent entity

The following information has been extracted from the books and records of the parent, Australian Bond Exchange Holdings Limited ("ABEH") and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Australian Bond Exchange Holdings Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

ABEH and its wholly owned Australian subsidiaries elected to form a tax consolidated group on 1 July 2018.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured using the 'stand-alone-taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

31. Parent entity continued

| Statement of Financial Position | 2022 | 2021 |
|---|--------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 12,892,686 | 1,836,321 |
| Non-current assets | 4,001,001 | 2,001,000 |
| Total Assets | 16,893,687 | 3,837,321 |
| Liabilities | | |
| Current liabilities | 242,776 | 517,191 |
| Total Liabilities | 242,776 | 517,191 |
| Equity | | |
| Issued capital | 21,129,562 | 6,608,843 |
| Retained earnings | (4,757,223) | (3,288,713) |
| Reserves | 278,572 | - |
| Total Equity | 16,650,911 | 3,320,130 |
| Statement of Profit or Loss and Other Comprehensive Income | | |
| Total profit or loss for the year | (1,468,510) | (115,452) |
| Total comprehensive income | (1,468,510) | (115,452) |

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Contractual commitments

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Australian Bond Exchange Holdings Limited
ACN 629 543 193
Notes to the Financial Statements continued
For the Year Ended 30 June 2022

32. Statutory Information

The registered office of the company is:

RBW Accountants

Suite 501

83 York Street

Sydney NSW 2000

The principal place of business is:

Level 19

1 O'Connell Street

Sydney NSW 2000

Directors' Declaration

For the Year Ended 30 June 2022

The directors of the Company declare that:

1. the consolidated financial statements and notes set out on pages 26 to 63 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the financial controller required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



Director:
Bradley McCosker



Director:
Allan Farrar

Dated this 29th day of September 2022

Independent Auditor's Report To the Members of Australian Bond Exchange Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Bond Exchange Holdings Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the financial position of the Group as at 30 June 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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 period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How the matter was addressed in the audit |
|---|--|
| <p>Impairment of assets – refer to Note 12</p> <p>The Group has intangible assets not yet available for use in the form of software development costs with a carrying value of \$1,063,151 (2021: \$694,833).</p> <p>We considered this a key audit matter due to the financial significance of the intangibles balance and the inherent judgement and estimation uncertainty in the Group's assessment of the value in use of its single Cash Generating Unit (CGU). This includes the Group's judgements over future cash flows, and the terminal growth and discount rates applied to cash flow forecasts.</p> <p>The Group performed an annual impairment assessment over the balance of intangible assets not yet available for use, as required by Australian Accounting Standards, by:</p> <ul style="list-style-type: none"> Calculating the value in use for the CGU using a discounted cash flow model. <p>The key assumptions in this model include cash flows (revenues, expenses and capital expenditure) for its CGU for five years and a growth rate to extrapolate cash flow projections beyond 5 years (terminal growth rate).</p> <p>The cash flows were discounted to a net present value using a discount rate determined to be appropriate by the Group;</p> <ul style="list-style-type: none"> Comparing the value in use of the CGU to its carrying value. <p>The Group also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (terminal growth rate and discount rate) to assess the impact on the impairment assessment.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Evaluating the design of the Group's relevant controls over the impairment assessment of its intangible assets having regard for the requirements of AASB 136 <i>Impairment of Assets</i>. Evaluating the Group's cash flow forecasts and the process by which they were developed, including considering the mathematical accuracy of the underlying calculations in the discounted cash flow model (the model). Assessing whether the value in use cash flow forecasts were consistent with previous performance, the Board-approved budgets, and whether significant assumptions in the budgets were subject to oversight by the directors. Comparing the forecast cash flows and growth rates used in the Group's cash flow forecasts to historical results and economic and industry forecasts. Assessing the reasonableness of the Group's disclosures in the financial report against the requirements of Australian Accounting Standards. Evaluating the appropriateness of the value in use methodology based on the requirements of Australian Accounting Standards. Assessing the appropriateness of the discount rate used in the model. |

Other information

The directors are responsible for the other information. The other information comprises financial and non-financial information included in the Group's annual report for the year ended 30 June 2022 which is provided in addition to the financial report and the auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

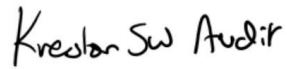
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion the Remuneration Report of Australian Bond Exchange Holdings Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

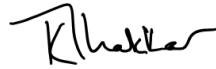
Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



KrestonSW Audit Pty Ltd



Kamal Thakkar
Director

Sydney
29 September 2022

SHAREHOLDER INFORMATION

There were 114,858,561 ordinary shares held by 688 shareholders of which 34,876,182 are quoted on the ASX and 79,982,379 are currently restricted and held in escrow.

The following information was extracted from Australian Bond Exchange Holdings Limited's (Group) Register of Shareholders on 31 August 2022:

| Rank | Name | Number of shares | % Units |
|--|--|--------------------|---------------|
| 1 | FIELDROCK PTY LIMITED <JBM FAMILY A/C> | 51,919,996 | 45.20 |
| 2 | ANEX INDUSTRIAL CORPORATION PTY LTD <FARRAR FAMILY A/C> | 7,417,142 | 6.46 |
| 2 | LANNALI PTY LIMITED <MUELLER INVESTMENT A/C> | 7,417,142 | 6.46 |
| 2 | TOACH PTY LIMITED <DONK FAMILY A/C> | 7,417,142 | 6.46 |
| 5 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 4,003,210 | 3.49 |
| 6 | PEARCE FAMILY (AUSTRALIA) PTY LTD | 4,000,000 | 3.48 |
| 7 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,854,071 | 1.61 |
| 8 | MR PETER FOLTMAN | 1,041,377 | 0.91 |
| 9 | ANDRAN PTY LTD | 1,000,000 | 0.87 |
| 10 | MR CHRIS SATCHI | 995,223 | 0.87 |
| 11 | TENWOOD PTY LTD <HODGKINSON SUPER FUND A/C> | 615,385 | 0.54 |
| 12 | AYMON PACIFIC PTY LTD <JEREZOS DISCRETIONARY A/C> | 550,000 | 0.48 |
| 13 | MORBRIDE PTY LTD <MORBRIDE SUPER FUND A/C> | 500,000 | 0.44 |
| 13 | SELMAR INVESTMENTS PTY LTD <THE SPRING FAMILY A/C> | 500,000 | 0.44 |
| 15 | BRALEM PTY LTD | 384,615 | 0.33 |
| 15 | PARKRANGE NOMINEES PTY LTD | 384,615 | 0.33 |
| 17 | CERTANE CT PTY LTD <L39 CAPITAL A/C> | 308,000 | 0.27 |
| 18 | GITTERBUG PTY LTD <GITTERBUG SUPER FUND A/C> | 307,692 | 0.27 |
| 19 | ANIDAN PTY LTD <HENK & TERESA SF A/C> | 300,000 | 0.26 |
| 20 | CRAIG STEPHEN WEIK | 300,000 | 0.26 |
| Total of Top Twenty Shareholdings | | 91,215,610 | 79.42 |
| Total Shares on issue | | 114,858,561 | 100.00 |

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2022:

Distribution of shareholdings

| Range | Number of holders | Number of shares | % Units |
|----------------|-------------------|--------------------|---------------|
| 1-1,000 | 22 | 12,967 | 0.01 |
| 1,001-5,000 | 124 | 445,721 | 0.39 |
| 5,001-10,000 | 121 | 984,753 | 0.86 |
| 10,001-100,000 | 340 | 12,854,439 | 11.19 |
| 100,001 Over | 81 | 100,560,681 | 87.55 |
| Total | 688 | 114,858,561 | 100.00 |

Unlisted Options

At 31 August 2022, there were 3,918,051 unlisted options over ABE shares. The options have an exercise price of \$1.95 per share and are exercisable at any time after 15 January 2024 and expiring 5 years from the date of Listing.

Restricted Securities

As of 3 September 2022

Shares subject to ASX-imposed escrow restrictions:

74,171,422 ordinary shares currently on issue are subject to escrow.

Voting Rights

All fully paid ordinary shares carry one vote per ordinary share but in a general meeting a resolution put to the vote must be decided on a show of hands unless a poll is required by the Chair or is demanded where each ordinary share carries one vote.

Unlisted options have no voting rights.

Important dates for shareholders

The company will hold the Annual General Meeting on 29th November 2022 at 10:00am.

Marketable parcels

As at 31 August 2022, using the last traded share price of \$0.385 per share, there were 28 holdings totalling 19,849 shares, which were of less than a marketable parcel (\$500).

Substantial shareholdings.

The Company has four shareholders who hold relevant interest in excess of 5% of the Company's ordinary shares:

| Name | Number of shares | % Units |
|---|------------------|---------|
| FIELDROCK PTY LIMITED <JBM FAMILY A/C> | 51,919,996 | 45.20 |
| ANEX INDUSTRIAL CORPORATION PTY LTD <FARRAR FAMILY A/C> | 7,417,142 | 6.46 |
| LANNALI PTY LIMITED <MUELLER INVESTMENT A/C> | 7,417,142 | 6.46 |
| TOACH PTY LIMITED <DONK FAMILY A/C> | 7,417,142 | 6.46 |

Board Members

Allan Farrar – Non-executive Chairperson
Bradley McCosker – Chief Executive Officer and Managing Director
Michael Vanderdonk – Chief Technology Officer and Executive Director
Nina Vanneck – Non-executive Director

Company Secretary

Steve Alperstein

Financial Controller and Company Secretary

Peter Foltman

Registered Office

c/- RBW Accountants
Suite 501, 83 York Street
Sydney NSW 2000

Auditor

KrestonSW Audit Pty Ltd
Level 1, 34 Burton Street
Kirribilli NSW 2061

Share Registry

Computershare
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Phone: 1300 395 841 (within Australia)
or +61 3 9415 4393 (outside Australia)
between 8:30am and 5:00pm (Sydney Time),
Monday to Friday

Website

bondexchange.com.au

For personal use only