



2021

ANNUAL REPORT



Adveritas

CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Belben
Non-Executive Chairman

Mr Mathew Ratty
Managing Director and Chief Executive Officer

Mr Renaud Besnard
Non-Executive Director

Mr Mark McConnell
Non-Executive Director

Mr Andrew Stott
Non-Executive Director

COMPANY SECRETARY

Ms Susan Park

PRINCIPAL AND REGISTERED OFFICE

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Bentley WA 6102

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SHARE REGISTER

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Perth WA 6000

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SECURITIES EXCHANGE LISTING

Adveritas Limited shares are listed on the
Australian Securities Exchange
(ASX: AVI)

SOLICITORS

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

BANKERS

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

AUDITORS

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

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LETTER TO SHAREHOLDERS



Mathew J. Ratty
Chief Executive Officer



Stephen Belben
Non-Executive Chairman

Dear Shareholder,

FY21 saw our Company deliver a rapid increase in its annualised revenue from customers, substantially expand its sales pipeline, and invest in its sales capabilities to further scale growth.

Growing our customer base

We adopted our “three by three” sales model towards the end of FY20, and this model consistently produced results during FY21. It incorporates three pricing models for our TrafficGuard SaaS product, and three routes to market:

Pricing models

Freemium

fraud detection only, free of charge up to \$2,500 of reported Google AdWord spend. To obtain fraud prevention, clients are required to move to one of our fee-paying pricing models.

Land & Expand

relatively low-priced monthly contracts for detection and prevention services. These contracts include additional charges for usage above agreed maximum volumes.

Long-dated contracts

clients typically receive a 12-month (or longer) contract for detection and prevention services. Although the monthly fee is higher than under the Land & Expand model, the fee on a data usage basis is more economical.

Routes to market

Mass Market

through the Freemium product offering and sector marketing activity.

Direct Sales

through the Company's sales force strategically located in the Asia Pacific region, North America, the United Kingdom and Latin America.

Third Party Distribution

through partnerships with Ad Agencies, Campaign Management Platforms and Marketplace Services.

Client wins during FY21 that strengthened our presence in a number of industry sectors and across a number of key jurisdictions such as Europe, Asia and Latin America included:

- GVC Australia, a subsidiary of GVC Holdings PLC which is a top 100 company on the London Stock Exchange. GVC Australia's subsidiaries include Ladbrokes and Neds.
- deezer, a French online music streaming service. deezer currently has 56 million licensed tracks in its library, 100 million playlists, and 16 million active users in over 180 countries¹. deezer is the exclusive global music partner of fitness app FitBit which has been acquired by Google.
- Lala Move, an on-demand delivery app which operates in cities across Asia and Latin America connecting over 7 million users with more than 700,000 delivery drivers².
- Neon, a Brazilian online bank that raised US\$300 million Series C funding in March 2021, and had over 9.4 million customers at that time³.

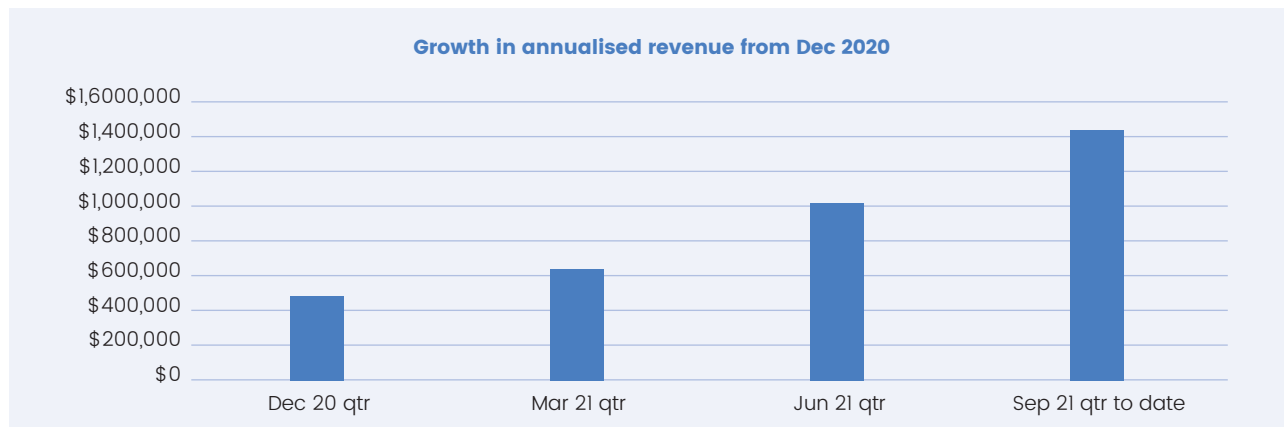
The second half of FY21 saw significant growth in annualised revenue, reaching \$1 million at 30 June 2021, up 112% over the six months from December 2020. We have continued to build on this momentum in FY22, with our annualised revenue up a further 41% to \$1.4 million at the end of August 2021, reflecting the successful execution of our sales model and growth strategy.

¹ Data sourced from deezer corporate website.

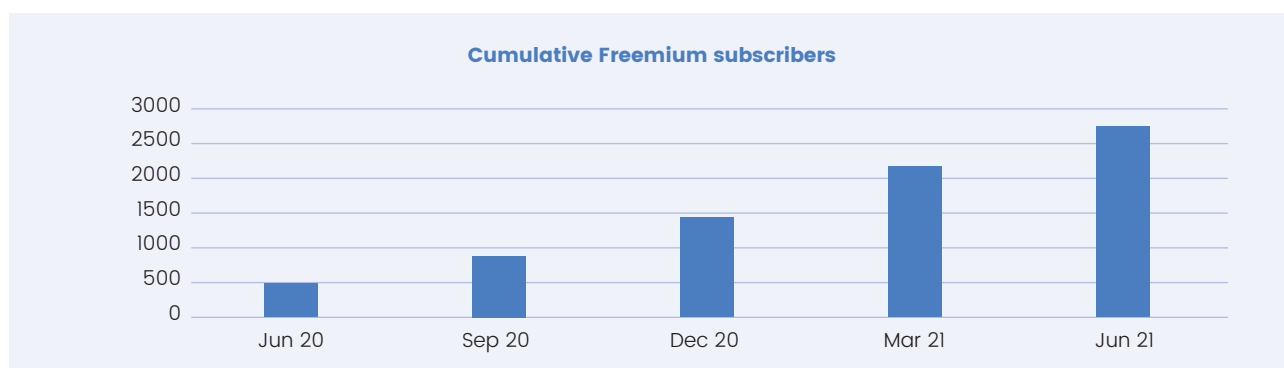
² <https://www.crunchbase.com/organization/easyvan>

³ <https://www.crunchbase.com/organization/banco-neon>

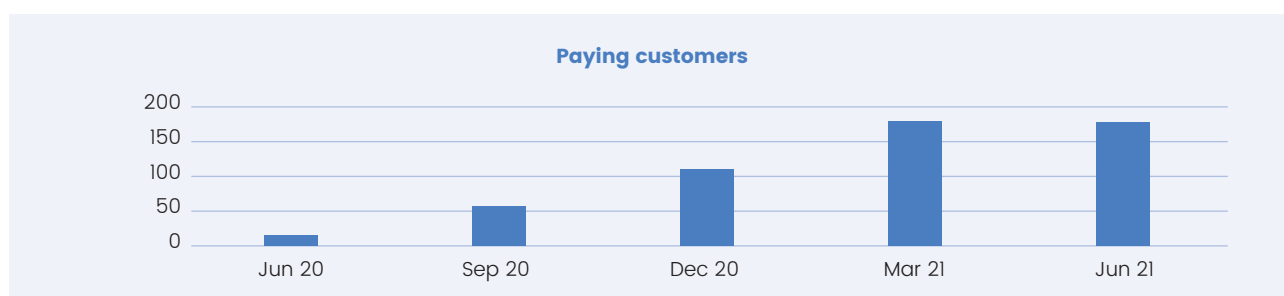
LETTER TO SHAREHOLDERS (CONTINUED)



A key lead indicator of the potential to grow the Company's paying customer base is the number of Freemium subscribers utilising TrafficGuard. Over the course of FY21, our Freemium subscribers increased by over 400% to approximately 2,700 subscribers at 30 June 2021. This provides us with a sizeable base to convert into paying customers, especially considering we achieved a conversion rate of approximately 15% over FY21 which is significantly higher than the global average of 2-5%¹.



Our paying customer base increased significantly over the course of FY21:



Integrated sales and marketing process

We appointed Matthew Sutton as Global Chief Revenue Officer in January 2021. Matt is a highly accomplished sales executive based in Singapore. He has wide ranging experience that has seen him working with CBS in China, and Twitter in Asia, and he has set up multiple strategic partnerships with the likes of Facebook and Google.

Under Matt's leadership, the Company has successfully implemented an end-to-end enterprise sales process and he is now working on implementing an integrated sales and marketing process to drive inbound leads to the TrafficGuard self-sign-up portal. We are planning on appointing a Global Chief Marketing Officer (CMO) who will be responsible for all aspects of profile building, brand awareness, education and lead generation globally. The focus of the new CMO will not only be on generating leads for enterprise clients, but highly geared towards driving users to our self sign up portal where clients can seamlessly onboard themselves without the need for a sales person.

The enhanced sales and marketing capabilities will underpin our global scale-up and is expected to simultaneously grow the number of enterprise clients and Freemium subscribers, and the conversion rate into paying customers.

LETTER TO SHAREHOLDERS (CONTINUED)

Industry Recognition

TrafficGuard received important recognition from the industry throughout FY21, including:

- winning a MarTech Breakthrough Award for Best PPC Optimisation;
- being listed as one of Australia's Most Innovative Companies by The Australian Financial Review. TrafficGuard placed 8th on the Technology list from over 600 nominated organisations across Australia and New Zealand;
- being named the Most Effective Anti-Fraud Solution at the 2020 Effective Mobile Marketing Awards;
- TrafficGuard's PPC protection being recognised as the Best Search Software at The Drum Search Awards;
- winning the best App Analytics Platform at the 2020 App Growth Awards.;
- being listed as a finalist for the Most Effective Tech Platform in Mobile Marketing's 2021 Effective Digital Marketing Awards;
- being listed as a finalist for Mumbrella's 2021 Marketing Technology Company of the Year; and
- being named as a top performer by Sourceforge.

Relationship with Google strengthened

Google Cloud Platform provides a marketplace for global enterprises to cover their complete enterprise software needs. We anticipate that TrafficGuard will be live on the Google Cloud Platform marketplace early in FY22. TrafficGuard has been selected as the only certified ad verification vendor in this marketplace and the only company in the Australia and New Zealand region to enter the marketplace in the last 12 months. Entering the Google Marketplace has many benefits including shorter contracting times, exposure to all of Google Clouds customers, and the ability for the customer to transact with TrafficGuard seamlessly through the marketplace, avoiding lengthy procurement times and legal delays.

In addition, we will have the support of the global Google Cloud Platform sales team.

During FY21, we successfully migrated our infrastructure service to the Google Cloud Platform. This move better aligns the Company's infrastructure systems with customer needs, economics, scale and Machine Learning requirements and sets the business in good stead for further rapid growth while maintaining an industry-leading solution.

Our close collaboration with Google has enabled us to engineer systems that allow the management of large volumes of data with an improved economy and flexible scale.

Outlook

The industry problem of fraud and invalid online traffic is a massive global issue. It is estimated that 40% of all digital advertising is invalid and that \$100 billion will be lost to fraud and invalid traffic in 2023. Our product, TrafficGuard, is the solution to this industry problem. It is the world's first full funnel measurement, verification and fraud prevention solution for digital advertising.

As FY21 closed, we had \$3.2 million in cash and no debt. We raised a further \$3 million in July via a placement to key existing and new sophisticated investors, including Pathfinder Asset Management, New Zealand's leading ethical investment fund. We have the potential to raise up to \$5.5 million in October 2021 through the exercise of 55.5 million options with a \$0.10 exercise price. Board members and senior management have already committed to exercise their options which will raise \$1.3 million.

We stand in good stead to keep delivering on our primary objectives of:

- expanding the sales pipeline across key verticals;
- converting TrafficGuard trials into paying customers; and
- investing in the sales and marketing team to scale growth

We look forward to a strong year of growing our Company and we thank you for your support.

Yours sincerely,



Mathew J. Ratty
Chief Executive Officer



Stephen Belben
Non-Executive Chairman

The directors present their report together with the consolidated financial report of Adveritas Limited (**Adveritas or Company**) and its controlled entities (collectively referred to as the **Group**) for the financial year ended 30 June 2021 and the independent auditor's report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless stated otherwise.

MR STEPHEN BELBEN

Non-Executive Chairman

Mr Belben has over 20 years' experience in both executive and non-executive director roles, at a number of public and private companies. This experience follows 9 years as a senior partner at Ernst & Young, specialising in corporate and assurance work in Australia. Whilst at Ernst & Young, Mr Belben was appointed the national partner in charge of one of the firm's largest Industry Group's where he was responsible for the development and servicing of a major client base in that sector in Australia.

Mr Belben is a Chartered Accountant and holds a Bachelor of Accountancy degree and a Bachelor of Commerce Honours degree.

During the last three years, Mr Belben has not served as a director of any other ASX listed company.

MR MATHEW RATTY

Managing Director and Chief Executive Officer

Mr Ratty is an experienced investor focused on Australian and US equity and debt markets. He has extensive experience across capital raising advice, seed investment negotiation, corporate strategy and financial modelling.

He is the co-founder of MC Management Group Pty Ltd, a venture capital firm operating in domestic and international debt and equity markets. At MC Management Group Pty Ltd, which is a substantial shareholder the Company, Mr Ratty holds the position of Head of Investment and is responsible for negotiating deal structures and asset pricing for companies in the healthcare, financial and technology space.

Prior to this, Mr Ratty was a director and analyst at property development and equity company, Gladstone Bridge.

Mr Ratty holds a Bachelor of Commerce (Property and Finance) with first class honours in finance from Curtin University of Technology.

During the last three years Mr Ratty has not served as a director of any other ASX listed company.

MR RENAUD BESNARD

Non-Executive Director

Mr Besnard is a senior executive responsible for growth and marketing at Unstoppable Domains in San Francisco. Mr Besnard's roles have included Vice President, Growth lab at PayPal, Senior Director of Global Growth and Product Marketing at Twitter, and Director of Marketing for Asia-Pacific (excl. India) at Uber Technologies Inc. Prior to joining Uber, Mr Besnard was a long-standing Google executive, having spent almost 10 years in senior positions in Europe and Asia.

Mr Besnard is very experienced at developing and executing marketing strategies and leading global growth marketing and global product marketing campaigns across consumer and advertiser audiences.

Mr Besnard holds a Bachelor degree in Commerce from ESSCA Business School (France), a Masters in International Business from the University of Manchester (UK) and an MBA from the University of Oxford (UK).

During the last three years, Mr Besnard has not served as a director of any other ASX listed company.

MR MARK MCCONNELL

Non-Executive Director

Mr McConnell is a successful business developer whose skills cover the areas of business strategy, investor relations, capital raising and innovation. He has extensive experience in both listed and unlisted technology companies in Australia and abroad. He co-founded the Citadel Group Limited in 2007, a leading software and technology company that specialises in secure enterprise information management.

Mr McConnell currently serves as the Chief Executive Officer of Citadel Group Limited and acts as an advisor to HOF Capital, a global technology investment firm that leverages its extensive networks to help founders build successful businesses.

Mr McConnell has a Bachelor of Science, a Graduate Diploma of Employment Relations, a Graduate Diploma of Logistics Management, and a Masters of Business Administration. He is also a Fellow of the Australian Institute of Company Directors (FAICD).

During the last three years, Mr McConnell has served as an executive director of Citadel Group Limited (ASX: CGL) and as non-executive director of Viva Leisure Limited (ASX: VVA). Citadel Group Limited delisted from the Australian Securities Exchange on 18 December 2020. Mr McConnell resigned as a director of Viva Leisure Limited on 6 November 2020.

MR ANDREW STOTT

Non-Executive Director

Mr Stott has significant experience in global technology mergers and acquisitions for listed and unlisted companies. He is originally from the UK and worked in London and New York before moving to Singapore in 2012 to open the offices of an international tech-focused law firm. Mr Stott became the Asia managing partner, and regional head of corporate and advised on in excess of US\$20bn in transactions in Asia, Australia, Europe and the USA. Mr Stott established his own advisory firm in early 2018 and has been working as a consultant to Adveritas since August 2018, helping implement its expansion strategy through relationships with internationally based customers and partners.

Until June 2018, Mr Stott was also a Board member of the Asia Video Industry Association (AVIA), an industry lobbying association representing the video industry in Asia. AVIA's 130-member organisations include leading advertising and marketing agencies, media groups, government regulatory bodies, telecom companies, new media service providers and network enablers.

Mr Stott holds an LLB Degree in Law and is a solicitor of the courts of England and Wales.

During the last three years, Mr Stott has not served as a director of any other ASX listed company.

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2021 and as of the date of this report, the interests of the directors in the securities of the Company were as follows:

	As at 30 June 2021			As at the date of this report		
	Ordinary shares	Share options	Performance Rights	Ordinary shares	Share options	Performance Rights
S. Belben	720,000	2,090,000	-	720,000	2,090,000	-
M. Ratty	22,710,544	3,999,092	1,000,000	22,710,544	3,999,092	1,000,000
R. Besnard	-	2,000,000	-	-	2,000,000	-
M. McConnell	60,757,910	11,532,778	-	60,757,910	11,532,778	-
A. Stott	1,100,000	2,000,000	-	1,100,000	2,000,000	-

COMPANY SECRETARY

Ms Susan Park has over 20 years' experience in the corporate finance industry and has extensive experience in Company Secretarial and Non-Executive Director roles on ASX, AIM and TSX listed companies.

Ms Park holds a Bachelor of Commerce degree from the University of Western Australia majoring in Accounting and Finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors. She is also a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the provision of its TrafficGuard® SaaS (software as a service) products. TrafficGuard is the world's first full funnel measurement, verification and fraud prevention solution for digital advertising.

OPERATING AND FINANCIAL REVIEW

SALES MOMENTUM

Throughout the 2021 financial year, the Group has focussed on its “three by three” sales model which incorporates three pricing models and three routes to market:

Pricing models	Routes to market
<p>1 Freemium</p> <p>This comprises TrafficGuard's free-of-charge detection only service. The strategy is to make this service widely available with the potential to upsell to TrafficGuard's fraud prevention services.</p>	<p>1 Mass market</p> <p>The mass market is accessed through the Freemium offering.</p>
<p>2 Land and expand</p> <p>Upgrading from the Freemium model enables clients to subscribe to TrafficGuard's fraud prevention service. This comprises a fixed monthly SaaS fee, with additional charges for excess data usage</p>	<p>2 Direct sales</p> <p>Direct sales occur through the Group's sales force located in Asia Pacific (APAC), the United Kingdom, North America and Latin America (LATAM).</p>
<p>3 Long-dated contracts</p> <p>Once clients fall within the “land and expand” model, there is potential to upgrade their contract to a long-dated contract model which provides benefits to the client on a per data usage cost basis.</p>	<p>3 Third party distribution</p> <p>Third party distribution occurs through integrations with Campaign Management Platforms, ad agencies and marketplace services to provide even more options for businesses to find and activate TrafficGuard.</p>

The Group has experienced momentum across all three pricing models and tracked growth across its key revenue leading indicators, being Freemium subscribers and conversions from Freemium to fee paying clients.

The Group had accumulated approximately 2,700 Freemium subscribers by 30 June 2021 and close to 180 fee paying clients.

Customers that signed long dated contracts during the year include:

- GVC Australia, a subsidiary of GVC Holdings PLC which is a top 100 company on the London Stock Exchange. GVC Australia's subsidiaries include Ladbrokes and Neds.
- deezer, a French online music streaming service. deezer currently has 56 million licensed tracks in its library, 100 million playlists, and 16 million active users in over 180 countries¹. deezer is the exclusive global music partner of fitness app FitBit which has been acquired by Google.
- Lala Move, an on-demand delivery app which operates in cities across Asia and Latin America connecting over 7 million users with more than 700,000 delivery drivers²
- Neon, a Brazilian online bank that raised US\$300 million Series C funding in March 2021, and had over 9.4 million customers at that time³

High profile customers such as these are important to Adveritas as they have the potential to upgrade their usage and also strengthen the Company's presence across a number of industry sectors and across a number of key jurisdictions such as Europe, Asia and Latin America.

¹ Data sourced from deezer corporate website.

² <https://www.crunchbase.com/organization/easyvan>

³ <https://www.crunchbase.com/organization/banco-neon>

GOOGLE CLOUD PLATFORM MARKETPLACE SIGNIFICANTLY INCREASES EXPOSURE

It is expected that TrafficGuard will be live on the Google Cloud Platform marketplace in the first quarter of the 2022 financial year.

Google Cloud Platform provides a marketplace for global enterprises to cover their complete enterprise software needs. TrafficGuard has been selected as the only certified ad verification vendor in this marketplace, following an extensive relationship with Google Cloud Platform.

TrafficGuard will have direct exposure to all to Google Cloud Platform customers, with the support of the global Google Cloud Platform sales team.

During the year, the Group successfully migrated its infrastructure service to the Google Cloud Platform. This move better aligns the Company's infrastructure systems with customer needs, economics, scale and Machine Learning requirements. These changes set the business in good stead for further rapid growth while maintaining an industry-leading solution.

Instituting the partnership and close collaboration with Google has enabled the Group to engineer systems that allow the management of large volumes of data with an improved economy and flexible scale. The net benefit to the Group will be an improved cost of sale and higher margins.

INTEGRATED SALES AND MARKETING PROCESS

During the year, the Group strengthened its sales team through the appointment of Matthew Sutton as Global Chief Revenue Officer. Mr Sutton is a highly accomplished sales executive and has run sales teams for CBS in China, bought and sold a start-up ad-tech company in Singapore, launched and managed Twitter's business across Asia, brought technology platforms to the APAC market, set up multiple strategic partnerships with the likes of Facebook and Google, and built a data driven agency within Asia's largest telco holding group, Axiata.

Since his appointment, Mr Sutton has successfully implemented an end-to-end enterprise sales process. The Group is now implementing an integrated sales and marketing process to drive inbound leads to its **self sign up** portal. As part of this process, the Group is planning on appointing a Global Chief Marketing Officer who will be responsible for all aspects of profile building, brand awareness, education and lead generation globally.

The enhanced sales and marketing capabilities will underpin the Group's global scale-up and is expected to grow the number of enterprise clients, while also rapidly growing Freemium subscribers and paying customers.

INDUSTRY RECOGNITION

TrafficGuard's achievements during the year include:

- winning a MarTech Breakthrough Award for Best PPC Optimisation Platform at the MarTech Breakthrough Awards. TrafficGuard was listed amongst other winners including Shopify, The Trade Desk and Adobe;
- being listed as one of Australia's Most Innovative Companies by The Australian Financial Review, placing 8th on the Technology list from over 600 nominated organisations across Australia and New Zealand. The prestigious annual list, published by The Australian Financial Review and Boss Magazine, is based on a rigorous assessment process managed by Australia's leading innovation consultancy, Inventium, in conjunction with a panel of industry expert judges. The assessment measures an innovation implemented in the past two years, the problem that the innovation is solving, the quality and uniqueness of the solution and the level of impact that the innovation has had;
- being named the Most Effective Anti-Fraud Solution at the 2020 Effective Mobile Marketing Awards, recognised for real-time fraud prevention that blocks invalid traffic before it infiltrates campaigns – protecting mobile marketers, agencies and ad networks from the direct and indirect impacts of ad fraud and driving returns on advertising spend;
- TrafficGuard's PPC protection being recognised as the Best Search Software at The Drum Search Awards. Through this award, TrafficGuard has been recognised as an important tool for search advertising optimisation, helping businesses realise the opportunity for superior advertising performance by eliminating ad fraud;
- winning the best App Analytics Platform at the 2020 App Growth Awards. The App Analytics Platform category recognises mobile analytics, app analytics, ad tracking and attribution platform that has delivered the most value and understanding of big data analytics in the past 12 months;
- being listed as a finalist for the Most Effective Tech Platform in Mobile Marketing's 2021 Effective Digital Marketing Awards;
- being listed as a finalist for Mumbrella's 2021 Marketing Technology Company of the Year; and
- being named as a top performer by Sourceforge.

EQUITY RAISING POST YEAR-END TO ACCELERATE GROWTH

At year-end, the Company had a cash balance of \$3.2 million and no debt. To accelerate sales and marketing activities based on multiple visible growth opportunities, the Group raised \$3 million via placement post year-end to further strengthen its balance sheet. The placement was supported by Pathfinder Asset Management (New Zealand's leading ethical investment fund) and new and existing sophisticated investors. 30 million shares were issued at an issue price of \$0.10 per share, which equated to the 7-day VWAP.

FINANCIAL SUMMARY

	Note	FY 2021 \$	FY 2020 \$
Revenue from software as a service	1	964,110	1,227,213
Grant income	2	1,280,494	1,287,433
JobKeeper and Cash Flow Booster stimulus income		446,850	305,000
Sundry income		40,520	21,429
Other income		1,767,864	1,613,862
Server hosting costs		(2,000,489)	(2,119,094)
Administration and occupancy costs	3	(681,224)	(518,228)
Marketing costs	4	(843,657)	(744,230)
Compliance and consultancy costs	5	(1,052,639)	(883,354)
Employment costs	6	(6,030,246)	(5,506,082)
Expected credit loss and bad debts expense	7	(3,596)	(279,343)
Finance costs		(48,269)	(54,245)
Overheads		(10,660,120)	(10,104,574)
Foreign exchange losses		(57,081)	(50,325)
Depreciation		(136,337)	(136,342)
Impairment loss	7	-	(113,525)
Expected credit loss – deferred consideration	7	-	(567,869)
Share based payments (refer to Note 16 to the financial statements)		(859,244)	(1,343,842)
Other expenses		(1,052,662)	(2,211,903)
Loss before tax		(8,980,808)	(9,475,402)
Income tax expense		(18,155)	(11,957)
Loss after tax for the Group		(8,998,963)	(9,487,359)

Notes

- Revenue in the current year is lower than in the prior year as a result of the SaaS contracts with the Group's former performance marketing business, Mpire Network Inc, being discontinued in February 2020.
- Grant income relates to the Group's research and development initiatives. In addition, in FY 2021 the Group received an Export Market Development Grant of \$100,000.
- The increase in administration and occupancy costs is due to the redevelopment of the TrafficGuard website and the deployment of additional data security measures.
- The growth in marketing costs in FY 2021 results from increased advertising and the preparation of additional marketing materials to support marketing initiatives.
- The increase in compliance and consultancy costs in FY 2021 is mainly due to fees incurred in relation to the Company's intellectual property and legal fees in respect of the recovery of amounts owing by ClearPier Inc.
- The higher employment costs in FY 2021 largely results from the fact that in the last quarter of FY 2020 all employees, including directors, voluntarily agreed to temporarily reduce their salaries to assist the Group in limiting costs during the height of the global COVID 19 pandemic. Salaries returned to their normal levels on 1 August 2020.
- Although the Group actively pursues the amounts owing by ClearPier Inc, in FY 2020 it adopted a conservative stance in relation to the balances owing by ClearPier Inc and recognised an expected credit loss of \$847,212 being the total of the SaaS licence fees outstanding (\$279,343) and the deferred consideration receivable (\$567,869). The Group also decided to write down its remaining investment in Mpire Network Inc to nil.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs during the course of the 2021 financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 19 July 2021, the Group completed a \$3,000,000 capital raising through the placement of 30,000,000 shares at a price of \$0.10 per share to a small group of institutional and sophisticated investors.

No other event has arisen since 30 June 2021 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS

Continued sales momentum

The Group is planning on expanding both its sales and marketing teams so that it can drive revenue through its end-to-end enterprise sales process and its integrated sales and marketing process which will drive inbound leads to the business. These initiatives will result in:

- The expansion of the Freemium pipeline;
- increased Freemium subscriber conversions;
- upgrades of "land and expand" customers to larger and longer-dated contracts; and
- conversion of targets in the Enterprise-level pipeline into customers.

Growing proprietary database

TrafficGuard's proprietary big database of global ad fraud is growing rapidly, increasing its appeal to advertising customers and creating potential for new products that will allow the Group to monetise this big data.

IP reputation scores are now becoming an actionable data point for advertisers globally.

To date, TrafficGuard has profiled over 700 million IPs around the world, of 4.6 billion IP addresses globally under IPv4. TrafficGuard then uses its proprietary technology to essentially score that IP. Each day, TrafficGuard adds close to 1 million new IPs to its reputation dataset. As TrafficGuard grows and adds additional clients and regions, this increases its unique advertising intelligence on the key data point used for detection and prevention.

As advertising is moving from personal identifier to contextual targeting with new regulations including the removal of IDFA, the location and network attributes, which are derived from IPs are more important than ever.

TrafficGuard's years of clean profiled and organised IP intelligence and data set enables advertisers to filter out fraudulent IPs to enhance returns from their digital advertising campaigns.

This IP intelligence and unique scoring allows for the commercialisation of other products in the future.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or specific environmental regulation in any of the jurisdictions in which it operates and therefore is not required to present further details in relation to environmental regulation.

SHARE OPTIONS

UNISSUED SHARES

As at 30 June 2021 and the date of this report, there were 65,596,109 unissued ordinary shares under options (30 June 2020: 62,246,109). Refer to the remuneration report and Note 16 for further details of the unissued ordinary shares under options outstanding.

Expiry Date	Exercise Price	Number on issue
19 August 2021	\$0.15	400,000
25 October 2021	\$0.10	55,496,109
21 November 2021	\$0.20	200,000
27 March 2022	\$0.20	3,000,000
17 November 2022	\$0.18	1,500,000
3 July 2023	\$0.15	5,000,000
		65,596,109

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year, 2,620,000 options were exercised to acquire ordinary shares (2020: 1,300,225).

PERFORMANCE RIGHTS

UNISSUED SHARES

As at 30 June 2021 there were 7,000,000 unissued ordinary shares under performance rights (30 June 2020: 26,600,000). Refer to the remuneration report and Note 16 for further details of the performance rights outstanding.

Holders of performance rights do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

SHARES ISSUED AS A RESULT OF THE CONVERSION OF PERFORMANCE RIGHTS

During the financial year 9,250,000 performance rights were converted into ordinary shares (2020: nil).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors held by the Company during the year and the number of meetings attended by each director were as follows:

Number of meetings held	10	
	Number of meetings eligible to attend	Number of meetings attended
S. Belben	10	10
M. Ratty	10	10
R. Besnard	10	7
M. McConnell	10	10
A. Stott	10	9

COMMITTEE MEMBERSHIP

Due to the Company's relatively small size and board structure, separate Remuneration and Audit Committees have not been constituted. The full board of directors assumes responsibility for any such matters as outlined in the Company's corporate governance plan.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young Australia and Ernst & Young Australia received or is due to receive the following amounts for the provision of such services:

	2021	2020
	\$	\$
Tax compliance services	56,975	39,111

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means the auditor's independence was not compromised.

AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Ernst & Young Australia, to provide the directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. The directors received the Independence Declaration set out on page 23 for the year ended 30 June 2021.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001 (Cth)*, as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Remuneration outcomes
4. Executive contracts
5. Additional disclosures relating to performance rights, options and shares
6. Other transactions and balances with key management personnel and their related parties

1. INTRODUCTION

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent entity.

The list below outlines the KMP of the Group during the financial year ended 30 June 2021. Unless otherwise indicated, the individuals were KMP for the entire financial year.

For the purposes of this report, the term "executive" indicates the executive directors and senior executives of the Group.

Non-Executive Directors (NEDs)

S. Belben	Non-Executive Chairman
R. Besnard	Non-Executive Director
M. McConnell	Non-Executive Director
A. Stott	Non-Executive Director

Executive Directors

M. Ratty	Managing Director and Chief Executive Officer
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Senior Executives

L. Taylor	Chief Operations Officer
F. Muir	Chief Financial Officer
S. Park	Company Secretary
D. Cox	Global Growth Officer
J. Linden	Vice President of Sales North America, resigned 30 June 2021
M. Sutton	Global Chief Revenue Officer, appointed 4 January 2021

2. REMUNERATION GOVERNANCE

2(a) Remuneration Philosophy

The performance of the Group depends upon the quality of the directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2(b) Remuneration Committee

The current size of the Group and structure of the board of directors does not warrant a separate remuneration committee. The board of directors as a whole (**Board**) is currently responsible for determining and reviewing compensation arrangements for directors and executives. Directors are excluded from discussions and voting on their own remuneration arrangements.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

2(c) Remuneration Structure: Non-Executive Director Remuneration

Fixed Remuneration

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

The Board seeks to set aggregate remuneration of non-executive directors at a level that provides the Group with the ability to attract and retain high calibre directors, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration set pursuant to Adveritas Limited's constitution is \$500,000 per year, which may be varied by shareholders in general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board does not currently seek external remuneration advice.

Each non-executive director receives a fee for being a director of the Company.

Options

1,250,000 options were issued to each non-executive director in the current year (2020: 750,000 options to each non-executive director).

2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration

(i) Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward executives;
- Align the interests of executives with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

(ii) Principles of Compensation

Compensation levels for employees of the Group are competitively set to attract and retain appropriately qualified and experienced senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance, relevant comparative information and expert advice if required.

(iii) Structure

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- Variable Remuneration
 - Short-term incentives
 - Long-term incentives

The Board establishes the proportion of fixed and variable remuneration for each executive.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The Board periodically reviews fixed remuneration when extending or otherwise amending the employment contracts of key executives. This review takes into account the overall performance of the executive and of the Group. The Board considers the executive's performance of the specific duties and tasks set out in their employment contracts which were included based on the general nature of the executive's role together with any specific requirements from the Board.

Executives may be given the flexibility to receive their remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – short-term incentive

The objective of short-term incentives is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. Operational targets are set periodically by the Board and include matters such as the funding of the Company, the timing of technological developments and the implementation of sales and marketing strategies.

From time to time cash bonuses (short-term incentives) are paid where an executive has met a short-term objective of the Group. Such bonuses are paid when specific criteria which are set by the Board are met. These criteria are linked to the operational targets set by the Board. In some instances, cash bonuses are paid when the Board determines that an executive has made contributions that are significant and beyond the normal expectations of their role. In making such determinations, the Board will consider a number of factors including the area of the business that has been impacted by the executive's contributions and the alignment of these contributions to the Group's overall strategy.

Variable Remuneration – long-term incentive

Long-term incentives are delivered in the form of options and performance rights.

Performance rights and options are generally issued in accordance with the terms and conditions of the Adveritas Performance Rights and Options Plan (**Plan**) that has been approved by the Company's shareholders.

Pursuant to the listing rules of the Australian Securities Exchange (**Listing Rules**), the Company's shareholders are required to re-approve the Plan and all unallocated securities issuable under it every three years. The Company's current Plan was approved by shareholders at the 2018 AGM.

The key features of the Plan are as follows:

- The Company's board of directors (**Board**) may, from time to time, in its absolute discretion, make a written offer to any eligible participant to apply for options or performance rights (**Awards**), upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards.
- The Board may in its absolute discretion resolve to waive any of the vesting conditions applying to Awards due to special circumstances arising in relation to the eligible participant; or the Company passing a resolution for voluntary winding up; or an order is made for the compulsory winding up of the Company.
- Where a change of control occurs, vesting conditions are deemed to be automatically waived.
- An Award will lapse upon the earlier of:
 - an unauthorised dealing, or hedging of the Award;
 - a vesting condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion;
 - in respect of unvested Awards, the recipient of the unvested Awards ceases to be an eligible participant;
 - in respect of vested Awards, the recipient of the vested Awards ceases to be an eligible participant and the Award granted is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an eligible participant;
 - the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the eligible participant;
 - the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
 - the expiry date of the Award.
- The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the shares issued to an eligible participant on exercise of those Awards (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- There are no participation rights or entitlements inherent in the Awards and eligible participants will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Awards without exercising the Award.

In the event that an offer of an Award to an executive will result in the maximum Awards allowed under the Plan being exceeded, the offer will not be covered by ASIC Class Order 14/1000 and the Company will be required to address the secondary sale requirements of any shares issued upon exercise of the Award. This includes the Company lodging a cleansing notice under Section 708A(5) of the *Corporations Act 2001* (Cth) or a prospectus under Section 708A(11) of the same Act.

During the current year, 9,000,000 performance rights were granted to executives (2020: 6,750,000). There were no option awards to executives in the current year (2020: nil).

The exercise price and vesting conditions of options awarded to executives and the vesting conditions of performance rights awarded to executives is determined so as to ensure that these options and performance rights only have value if there is an increase in shareholder wealth over time.

2(e) Remuneration Report Approval at 2020 Annual General Meeting

The remuneration report of Adveritas Limited for the year ended 30 June 2020 was approved by shareholders at the 2020 AGM.

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. REMUNERATION OUTCOMES

Remuneration of Key Management Personnel

During prior year, in response to the global COVID-19 pandemic (with effect from 23 March 2020) Non-Executive Director fees were reduced to nil, the salary of Mr Ratty was reduced by 50% and the salaries of senior executives employed by the Company were reduced by 30%. These reductions were made without there being any obligation on the Group to repay the forgone amounts.

		Short-term benefits		Post-employment	Long-term benefits	Share-based payments		Total	Performance related	
		Salary & fees	Commission / Bonus	Super	Long service leave	Performance Rights	Options		Total	%
		\$	\$	\$	\$	\$	\$		\$	%
Non-Executive Directors										
S. Belben ³	2021	54,923	-	5,218	-	-	72,288	132,429	-	
	2020	42,725	-	4,059	-	-	-	46,784	-	
R. Besnard ³	2021	40,150	-	-	-	-	72,288	112,438	-	
	2020	28,483	-	2,706	-	-	-	31,189	-	
M. McConnell ³	2021	36,615	-	3,478	-	-	72,289	112,382	-	
	2020	28,483	-	2,706	-	-	-	31,189	-	
A. Stott ³	2021	40,150	-	-	-	-	72,289	112,439	-	
	2020	31,084	-	-	-	-	-	31,084	-	
Executive Directors										
M. Ratty ^{1,3}	2021	300,527	48,333	21,245	4,334	95,776	-	470,215	31	
	2020	235,928	100,000	20,691	2,733	544,645	-	903,997	71	
Total Directors	2021	472,365	48,333	29,941	4,334	95,776	289,154	939,903	46	
	2020	366,703	100,000	30,162	2,733	544,645	-	1,044,243	62	
Senior Executives										
L. Taylor ^{2,3,8}	2021	276,386	-	21,041	5,362	(47,140)	-	255,649	(18)	
	2020	258,571	25,000	20,938	8,268	393,461	-	706,238	61	
F. Muir ³	2021	107,557	-	10,218	-	-	-	117,775	-	
	2020	101,970	-	9,687	-	-	5,957	117,614	5	
S. Park ⁴	2021	60,530	-	-	-	-	-	60,530	-	
	2020	72,373	-	-	-	-	-	72,373	-	
D. Cox ³	2021	235,602	34,670	21,100	2,066	79,192	-	372,630	31	
	2020	243,993	39,129	20,879	1,302	33,845	8,936	348,084	12	
E. Rosenberg ⁵	2021	-	-	-	-	-	-	-	-	
	2020	86,644	-	-	-	-	-	86,644	-	
J. Linden ^{3,6}	2021	217,437	3,311	-	-	-	-	220,748	2	
	2020	103,332	-	-	-	-	-	103,332	-	
M. Sutton ⁷	2021	218,379	2,677	-	-	-	-	221,056	1	
	2020	-	-	-	-	-	-	-	-	
Total Senior Executives	2021	1,115,891	40,658	52,359	7,428	32,052	-	1,248,388	6	
	2020	866,883	64,129	51,504	9,570	427,306	14,893	1,434,285	33	
Total	2021	1,588,256	88,991	82,300	11,762	127,828	289,154	2,188,291	23	
	2020	1,233,586	164,129	81,666	12,303	971,951	14,893	2,478,528	45	

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. REMUNERATION OUTCOMES (CONTINUED)

Notes

1. The bonus paid to Mr Ratty in the current year relate to the Company achieving a targeted share price. In the prior year, the bonuses paid to Mr Ratty resulted from successfully raising capital, securing Tier 1 clients, expanding the US sales team and the Company achieving a targeted share price.
2. The bonuses paid to Mr Taylor in the prior year relate to the successful achievement of key technical milestones.
3. Refer to section 5 below and Note 16 for further information on the vesting conditions attached to the options and performance rights granted.
4. Ms Park provides company secretarial services through Park Advisory Pty Ltd (formerly Hunter Corporate Pty Ltd), an entity controlled by her.
5. Mr Rosenberg resigned on 2 October 2019.
6. Mr Linden commenced employment on 10 January 2020 and resigned 30 June 2021.
7. Mr Sutton commenced employment on 4 January 2021. Prior to his employment, Mr Sutton provided contract sales and marketing services to the Company over the period 19 August 2020 to 31 December 2020 and earned consultancy fees of \$69,494.
8. The net credit amount reflected for Mr Taylor's performance rights is due to the lapsing of a number of performance rights during the current year.

4. EXECUTIVE CONTRACTS

Remuneration arrangements for executives are formalised in the employment agreements. The following outlines the details of the contracts with executives:

Mathew Ratty, Managing Director and Chief Executive Officer

Mr Ratty's current employment agreement commenced on 9 November 2018 (Mr Ratty held the position of Interim CEO up to this date). The term of Mr Ratty's contract was extended from 30 June 2021 to 30 June 2023 on 3 July 2020.

Details

• **Remuneration:**

Annual base salary – Mr Ratty's contract was varied to increase the annual base salary from \$265,000 to \$290,000 (plus statutory superannuation) with effect from 1 August 2020.

- Performance related bonuses – short term incentive: at the Board's discretion, a cash bonus may be paid to Mr Ratty in relation to the successful completion of various milestones periodically set by the Board. The cash bonus is not to exceed 50% of the annual salary in the financial year the bonus is earned.
- Performance related bonuses – long term incentive: the following performance rights are held by Mr Ratty:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
A total of 3,000 clients sign up to the Company's Freemium offering	30 June 2023	1,000,000

• **Termination:**

The agreement may be terminated:

- by the Company without cause by giving twelve months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Ratty is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Ratty without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.

• **Other:**

The agreement includes other general industry standard provisions for a senior executive.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

Luke Taylor, Chief Operations Officer

Mr Taylor's current employment agreement commenced on 20 August 2018 (Mr Taylor held the position of Chief Technology Officer up to this date) and the term was extended from 30 June 2021 to 30 June 2023 on 5 July 2020.

Details

- Remuneration:**

Annual base salary of \$275,000 (plus statutory superannuation)

- Performance related bonuses – short term incentive: a cash bonus may be paid at any time during the term of the agreement conditional upon the achievement of key performance indicators set by the Chief Executive Officer. The cash bonus is not to exceed 25% of the annual salary in the financial year the bonus is earned
- Performance related bonuses – long term incentive: the following performance rights are held by Mr Taylor:

Milestones to be achieved	Date by which milestone is to be achieved	Quantum of performance rights to vest upon achievement of milestone
A total of 3,000 clients sign up to the Company's Freemium offering	30 June 2023	1,000,000

- Termination:**

The agreement may be terminated:

- by the Company without cause by giving six months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Taylor is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Taylor without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.

- Other:**

The agreement includes other general industry standard provisions for a senior executive.

Matthew Sutton, Global Chief Revenue Officer (appointed 4 January 2021)

Mr Sutton's employment agreement commenced on 4 January 2021 and has no fixed term.

Details

- Remuneration:**

- Annual base salary of SGD\$420,000 and a sign on bonus comprising the issue of 250,000 shares in the Company. As at 30 June 2021, the sign on bonus shares had not been issued to Mr Sutton.
- Commission of 7% on revenue from contracts entered into as a result of the sales efforts of Mr Sutton or his sales team.

- Long term incentives:**

2,000,000 performance rights are to be issued to Mr Sutton and will vest on the achievement of an Annual Revenue Rate ("ARR") from new clients of US\$5,000,000 as follows:

- 60% of the performance rights, being 1,200,000 performance rights will vest on achievement of 60% of the ARR from new clients, being US\$3,000,000, within 18 months of employment commencement date; and
- 800,000 performance rights will vest on a pro-rate basis on achievement of an ARR from new clients exceeding US\$3,000,000 within 18 months of employment commencement date.

- Termination:**

The agreement may be terminated:

- by the Company without cause by giving three months' notice, or immediately with payment in lieu of notice;
- by the Company giving one months' notice if Mr Sutton is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve-month period; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Sutton without cause by giving three months' notice or at any time if the Company commits any serious or persistent breach which is not remedied within twenty eight days.

- Other:**

The agreement includes other general industry standard provisions for a senior executive.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

David Cox, Global Growth Officer

Mr Cox's current employment agreement commenced on 19 November 2018 and has no fixed term. Mr Cox currently holds the position of Global Growth Officer. He held the position of Senior Vice President, Enterprise Sales from 13 July 2020 to 30 September 2020 and was the Chief Revenue Officer from 26 April 2019 to 12 July 2020. Prior to that Mr Cox was the Managing Director, APAC Sales.

Details

• Remuneration:

- Annual base salary of \$230,000 plus statutory superannuation.
- A maximum commission of 10% of revenue earned from new clients engaged by Mr Cox after 13 July 2020.

• Long term incentives:

On 11 September 2019 Mr Cox's employment agreement was varied such that if Mr Cox achieves the milestones listed below within 24 months of the variation, he will be offered the following options:

Milestones	Quantum of unlisted options upon achievement of milestone
Upon achievement of annualised contract revenue of US\$3 million	1,000,000
Upon achievement of annualised contract revenue of US\$5 million	1,000,000
Upon achievement of annualised contract revenue of US\$7 million	1,000,000
Upon achievement of annualised contract revenue of US\$10 million	1,000,000
Upon achievement of annualised contract revenue of US\$15 million	1,000,000
	5,000,000

The exercise price of the options will be based on the 5-day VWAP at the time the offer is made.

On 26 February 2020, Mr Cox was awarded 750,000 performance rights which will vest 2 years from date of issue provided Mr Cox remains a full-time employee of the Group.

• Termination:

The agreement may be terminated:

- by either party without cause by giving one months' notice, or in the case of the Company, immediately with payment in lieu of notice;
- by the Company by giving one months' notice if Mr Cox is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve-month period; or
- by the Company by giving one months' notice if Mr Cox commits any serious breach under the agreement that is not remedied within fourteen days; or
- by the Company immediately without notice following material breach or in the case of misconduct; or
- by Mr Cox if at any time the Company commits any serious or persistent beach which is not remedied within twenty eight days.

• Other:

The agreement includes other general industry standard provisions for a senior executive.

James Linden, Vice President of Sales North America (appointed 10 January 2020, resigned on 30 June 2021)

Mr Linden's employment agreement commenced on 10 January 2020 and came to an end on 30 June 2021.

Details

• Remuneration:

- Annual base salary of US\$162,000 plus social security and medical insurance.
- Commission of 7.5% on sales primarily introduced by Mr Linden.

• Termination:

The agreement may be terminated at any time by either party with or without cause and with or without notice.

• Other:

The agreement includes other general industry standard provisions for a senior executive.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE CONTRACTS (CONTINUED)

Fiona Muir, Chief Financial Officer

Ms Muir's employment agreement commenced on 25 June 2018 and has no fixed term.

Details

- **Remuneration:**

Ms Muir fulfils the role of Chief Financial Officer on a part time basis and is remunerated pro-rata based on an annual base salary of \$240,000 plus statutory superannuation.

- **Termination:**

The agreement may be terminated:

- by Ms Muir with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Ms Muir may terminate it immediately;
- by the Company with one months' notice or payment in lieu of notice;
- by the Company immediately without notice following material breach or in the case of misconduct

- **Other:**

The agreement includes other general industry standard provisions for a senior executive.

Susan Park, Company Secretary

- Ms Park provides company secretarial services through Park Advisory Pty Ltd (formally Hunter Corporate Pty Ltd). The agreement with Park Advisory Pty Ltd commenced on 24 September 2017 and has no fixed term.

Details

- The Company pays a monthly fee together with any out of pocket expenses. The monthly retainer is based on standard market rates. In the event assistance is required outside of the normal company secretarial role, the Company is charged an additional fee based on the hours worked by Ms Park.
- The agreement may be terminated by the Company or Park Advisory Pty Ltd by giving two months' notice.

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

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES

Performance Rights

Performance rights do not carry any voting or dividend rights and can only be converted into ordinary shares up until their expiry date, provided the vesting conditions have been met.

The tables below disclose the movement in performance rights held by key management personnel during the current and prior year. There is a nil exercise price payable on the conversion of performance rights into ordinary shares.

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance
2021						
Executive directors						
M. Ratty	11,250,000	4,500,000	3,500,000	4,750,000	10,000,000	1,000,000
Executives						
L. Taylor	9,600,000	4,500,000	3,500,000	4,500,000	8,600,000	1,000,000
D. Cox	750,000	-	-	-	-	750,000

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

Performance Rights (continued)

	Number of performance rights					
	Opening balance	Granted during the year	Vested during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance
2020						
Executive directors						
M. Ratty	8,250,000	3,000,000	1,250,000	-	-	11,250,000
Executives						
L. Taylor	6,600,000	3,000,000	1,000,000	-	-	9,600,000
D. Cox	-	750,000	-	-	-	750,000

The tables below disclose the fair values of performance rights granted to key management personnel during the current and prior year.

2021	M. Ratty			L. Taylor		
	Grant date	Number granted	Fair value per performance right at grant date (cents)	Grant date	Number granted	Fair value per performance right at grant date (cents)
Class T	11/09/2020	4,500,000	0.11	05/07/2020	4,500,000	0.08

2020	M. Ratty			L. Taylor			D. Cox		
	Grant date	Number granted	Fair value per performance right at grant date (cents)	Grant date	Number granted	Fair value per performance right at grant date (cents)	Grant date	Number granted	Fair value per performance right at grant date (cents)
Class P	13/11/2019	1,000,000	17.49	20/11/2019	1,000,000	20.99			
Class Q	13/11/2019	1,000,000	17.49	20/11/2019	1,000,000	20.99			
Class R	13/11/2019	1,000,000	17.49	20/11/2019	1,000,000	20.99			
Class S							23/01/2020	750,000	21.99
		3,000,000			3,000,000			750,000	

Details of the vesting conditions, expiry dates and status of the performance rights held by key management personnel on 30 June 2021 are set out below:

Tranche	Vesting Condition	Number	Expiry date	Status at 30 June 2021
Class S	Executive continues to be a full-time employee of the Group at 26 February 2022.	750,000	25/04/2022	Not yet vested
Class T	A total of 3,000 clients sign up to the Company's Freemium offering	2,000,000	30/06/2023	Not yet vested

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

Options awarded, vested and lapsed during the year

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions, if any, have been met, and only until the expiry date.

1,250,000 options were issued to each non-executive director during the current year (2020: nil). 500,000 options held by key management personnel expired during the current year. Those options were granted on 26 October 2017 and had an exercise price of \$0.45. In the prior year, 1,000,000 options held by key management personnel expired. Those options had an exercise price of \$0.45.

The table below discloses the number of share options granted during the current year and the number of those options that vested or lapsed during the current year. The table only shows options that were granted as part of remuneration to key management personnel.

	Options granted during the year	Grant date	Fair value per option at grant date	Vesting date	Exercise price	Expiry date	Vested during year	Lapsed during year	Value of options granted during year
Non-Executive Directors									
S. Belben	1,250,000	11/09/2020	\$0.06	11/09/2020	\$0.15	03/07/2023	1,250,000	-	\$72,288
R. Besnard	1,250,000	11/09/2020	\$0.06	11/09/2020	\$0.15	03/07/2023	1,250,000	-	\$72,288
M. McConnell	1,250,000	11/09/2020	\$0.06	11/09/2020	\$0.15	03/07/2023	1,250,000	-	\$72,288
A. Stott	1,250,000	11/09/2020	\$0.06	11/09/2020	\$0.15	03/07/2023	1,250,000	-	\$72,288

Options exercised during the year

The table below discloses the number of share options that were exercised by key management personnel during the current year.

	Options exercised during the year	Grant date	Fair value per option at grant date	Vesting date	Exercise price	Expiry date	Value of options exercised during year
Non-Executive Directors							
A. Stott ¹	600,000	17/12/2018	\$0.06	24/12/2018	\$0.15	24/12/2020	\$33,345
Senior Executives							
D. Cox	750,000	17/12/2018	\$0.06	24/12/2019	\$0.15	24/12/2020	\$41,682
F. Muir	500,000	17/12/2018	\$0.06	24/12/2019	\$0.15	24/12/2020	\$27,788

Notes

¹ The options granted to Mr Stott vested on issue, which occurred on 24 December 2018.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. ADDITIONAL DISCLOSURES RELATING TO PERFORMANCE RIGHTS, OPTIONS AND SHARES (CONTINUED)

Option holdings of KMP

The table below discloses all options held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2020	Granted as remuneration	Lapsed	Exercised	Balance at 30 June 2021	Exercisable	Not exercisable
Non-Executive Directors							
S. Belben	840,000	1,250,000	-	-	2,090,000	2,090,000	-
R. Besnard	1,250,000	1,250,000	(500,000)	-	2,000,000	2,000,000	-
M. McConnell	10,282,778	1,250,000	-	-	11,532,778	11,532,778	-
A. Stott	1,350,000	1,250,000	-	(600,000)	2,000,000	2,000,000	-
Executive Directors							
M. Ratty	3,999,092	-	-	-	3,999,092	3,999,092	-
Senior Executives							
F. Muir	500,000	-	-	(500,000)	-	-	-
D. Cox	750,000	-	-	(750,000)	-	-	-
Total	18,971,870	5,000,000	(500,000)	(1,850,000)	21,621,870	21,621,870	-

Share holdings of KMP

The table below discloses the shares held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2020	Granted as remuneration	On conversion of performance rights	On exercise of options	Net change other	Balance at 30 June 2021
Non-Executive Directors						
S. Belben	720,000	-	-	-	-	720,000
M. McConnell ¹	25,032,593	-	-	-	35,725,317	60,757,910
A. Stott	500,000	-	-	600,000	-	1,100,000
Executive Directors						
M. Ratty ²	17,780,544	-	4,750,000	-	180,000	22,710,544
Senior Executives						
L. Taylor	5,203,782	-	4,500,000	-	-	9,703,782
D. Cox	-	-	-	750,000	-	750,000
F. Muir	-	-	-	500,000	-	500,000
Total	49,236,919	-	9,250,000	1,850,000	35,905,317	96,242,236

Notes

- Mr McConnell acquired 26,666,667 shares as part of a share placement approved by shareholders in September 2020. He acquired a further 9,058,650 shares on market.
- Mr Ratty acquired 180,000 shares on market.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6. OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

During the current year, Adveritas Limited continued its consultancy agreement with 13811 Advisory Pte Ltd, a company of which Mr Stott is the CEO and founder. The consultancy services include the provision of promotion and marketing services. Under the agreement, Mr Stott was entitled to consultancy fees of \$5,000 per month. These fees are in addition to the salary and fees disclosed in section 3 of this report. At 30 June 2021, an amount of \$5,000 was owing to 13811 Advisory Pte Ltd (2020: \$5,000).

During the current year, Adveritas Limited entered into an agreement with Almonte Advisory Inc, a company of which Mr Besnard is the CEO and founder. The consultancy services include assisting the Company with its marketing execution and supporting the Company's business and product strategy. Under the agreement, Mr Besnard was paid USD \$48,300 during the current year. These fees are in addition to the salary and fees disclosed in section 3 of this report.

Signed in accordance with a resolution of the directors:



Stephen Belben

Non-Executive Chairman

Perth, Western Australia

Dated this 27th day of August 2021



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working world

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Auditor's Independence Declaration to the Directors of Adveritas Limited

As lead auditor for the audit of the financial report of Adveritas Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham'.

Mark Cunningham
Partner
27 August 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from contracts with customers	4	964,110	1,227,213
Interest income		10,856	14,242
Other income	5(a)	1,757,008	1,599,620
Overheads			
Server hosting costs		(2,000,489)	(2,119,094)
Administration costs	5(b)	(607,483)	(448,140)
Compliance costs	5(c)	(315,144)	(322,646)
Consultancy costs	5(d)	(737,495)	(560,708)
Employment costs	5(e)	(6,030,246)	(5,506,082)
Occupancy costs		(73,741)	(70,086)
Marketing costs	5(f)	(843,657)	(744,230)
Expected credit losses and bad debts expense	5(g)	(3,596)	(279,343)
Finance costs	5(h)	(48,269)	(54,245)
		(10,660,120)	(10,104,574)
Other Expenses			
Foreign exchange losses		(57,081)	(50,325)
Depreciation	5(i)	(136,337)	(136,342)
Impairment loss	11	-	(113,525)
Expected credit loss: deferred consideration		-	(567,869)
Share based payments	16	(859,244)	(1,343,842)
		(1,052,662)	(2,211,903)
Loss before income tax		(8,980,808)	(9,475,402)
Income tax expense	6	(18,155)	(11,957)
Loss for the year attributable to the members of Adveritas Limited		(8,998,963)	(9,487,359)
Other comprehensive income net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,774)	24,564
Total comprehensive loss for the year attributable to the members of Adveritas Limited		(9,000,737)	(9,462,795)
Loss per share attributable to members of Adveritas Limited			
		Cents	Cents
Basic loss per share	23	(2.60)	(4.68)
Diluted loss per share	23	(2.60)	(4.68)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	3,231,414	8,351,840
Trade and other receivables	8	343,094	401,058
Prepayments		192,746	163,487
TOTAL CURRENT ASSETS		3,767,254	8,916,385
NON-CURRENT ASSETS			
Plant and equipment	9	44,914	38,104
Right-of-use assets	10	505,268	606,322
Investments	11	-	-
Goodwill		-	34,000
TOTAL NON-CURRENT ASSETS		550,182	678,426
TOTAL ASSETS		4,317,436	9,594,811
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,327,471	769,873
Income tax payable	6	13,446	-
Provisions	13	539,696	550,862
Lease liabilities	10	103,110	90,597
TOTAL CURRENT LIABILITIES		1,983,723	1,411,332
NON-CURRENT LIABILITIES			
Lease liabilities	10	468,950	557,678
Provisions	13	62,560	46,664
TOTAL NON-CURRENT LIABILITIES		531,510	604,342
TOTAL LIABILITIES		2,515,233	2,015,674
NET ASSETS		1,802,203	7,579,137
EQUITY			
Contributed equity	14	43,237,080	39,941,684
Accumulated losses	17	(46,568,582)	(37,569,619)
Share based payment reserve	15	5,094,942	5,166,535
Foreign currency translation reserve	15	38,763	40,537
TOTAL EQUITY		1,802,203	7,579,137

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		946,013	877,422
Payments to suppliers and employees		(10,065,938)	(9,536,248)
Research and development grant income received	5(a)	1,180,494	1,287,433
Other income received		711,514	177,187
Interest received		11,619	15,676
Interest expense on lease liabilities	10	(48,269)	(54,245)
Net cash flows used in operating activities	7	(7,264,567)	(7,232,775)
Cash flows from investing activities			
Purchase of plant and equipment		(43,493)	(14,969)
Proceeds on disposal of plant and equipment		1,292	-
Deferred consideration received on disposal of controlled entity		-	29,458
Net cash flows (used in) / generated by investing activities		(42,201)	14,489
Cash flows from financing activities			
Proceeds from issue of shares		2,393,000	13,974,428
Share issue costs paid		(59,116)	(387,310)
Lease liability payments	10	(76,215)	(59,101)
Net cash flows provided by financing activities		2,257,669	13,528,017
Net (decrease) / increase in cash and cash equivalents		(5,049,099)	6,309,731
Cash and cash equivalents at the beginning of the year		8,351,840	2,046,991
Effects of exchange rate changes on cash and cash equivalents		(71,327)	(4,882)
Cash and cash equivalents at the end of the year	7	3,231,414	8,351,840

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 July 2020	39,941,684	(37,569,619)	5,166,535	40,537	7,579,137
Loss for the year	-	(8,998,963)	-	-	(8,998,963)
<i>Other comprehensive income</i>					
Foreign exchange differences arising on translation of foreign operations	-	-	-	(1,774)	(1,774)
Total comprehensive income / (expenditure) for the year	-	(8,998,963)	-	(1,774)	(9,000,737)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	2,393,000	-	-	-	2,393,000
Share issue costs	(28,441)	-	-	-	(28,441)
Shares issued on conversion of performance rights	930,837	-	(930,837)	-	-
Share based payments expense	-	-	859,244	-	859,244
	3,295,396	-	(71,593)	-	3,223,803
Balance at 30 June 2021	43,237,080	(46,568,582)	5,094,942	38,763	1,802,203
Balance at 1 July 2019	26,305,580	(28,082,260)	3,905,193	15,973	2,144,486
Loss for the year	-	(9,487,359)	-	-	(9,487,359)
<i>Other comprehensive income</i>					
Foreign exchange differences arising on translation of foreign operations	-	-	-	24,564	24,564
Total comprehensive income / (expenditure) for the year	-	(9,487,359)	-	24,564	(9,462,795)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	14,136,089	-	-	-	14,136,089
Share issue costs	(499,985)	-	-	-	(499,985)
Share based payments expense	-	-	1,261,342	-	1,261,342
	13,636,104	-	1,261,342	-	14,897,446
Balance at 30 June 2020	39,941,684	(37,569,619)	5,166,535	40,537	7,579,137

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. CORPORATE INFORMATION

The consolidated financial report of Adveritas Limited (**Adveritas or Company**) and its controlled entities (collectively referred to as the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 27 August 2021.

Adveritas is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Bentley, Western Australia.

The nature of operations and principal activities of the Group are the creation of innovative software solutions that leverage big data to drive business performance. TrafficGuard, is the Group's first commercially available software as a service.

Information on the Group's corporate structure and related party relationships is provided in Note 20.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a summary of the significant accounting policies adopted in the preparation of this consolidated financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The consolidated financial report is a general-purpose financial report which has been prepared on a historical cost basis and is presented in Australian dollars.

(b) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(c) Changes in accounting policies, disclosures, standards and interpretations

(i) Accounting Standards and Interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2021 are outlined below.

Amendments to IAS1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments will be applied retrospectively.

Application date of standard: 1 January 2023 **Application date for the Group:** 1 July 2023

Impact on the Consolidated Financial Statements: The Group does not anticipate any impact on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies, disclosures, standards and interpretations (continued)

(ii) *New standards, interpretation and amendments adopted by the Group*

The new standards, interpretations and amendments adopted by the Group in the current year are set out below.

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date.

(a) Amendments to AASB 3: Definition of a Business

The amendment to AASB 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

(b) Amendments to AASB 101 and AASB 108: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of the Group, nor is there expected to be any future impact on the Group.

(d) Basis of Consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information presented to the chief operating decision makers, being the executive management team.

Information about other business activities are combined and disclosed in a separate category called "other".

(f) Foreign Currency Translation

i. Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the parent's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

iii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(g) Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the asset as follows:

	Method	Useful Lives
Plant and equipment	Straight Line	1.5 – 2.5 years
Leasehold improvements	Straight Line	the term of the lease
Office equipment	Straight Line	2 – 10 years
Computer equipment	Straight Line	1.5 – 4 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 carrying amount. These are included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Non-financial assets comprise of plant and equipment and goodwill. Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Goodwill is tested for impairment annually. 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. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment losses relating to goodwill cannot be reversed in future periods.

(i) Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of profit and loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Revenue from contracts with customers

The Group has been in the business of providing its fraud mitigation software as a service to its customers. Revenue from contracts with customers is recognised over time as the service is delivered to the customer, at an amount that reflects the consideration to which the Group is entitled under the terms of the contract for that service. The Group has concluded that it is the principal in its revenue arrangements because it controls the service before delivering it to the customer.

The Group's performance obligation is the delivery of its software as a service to the customer over the period of time that was agreed upon with the customer. The customer is required to pay the consideration agreed upon in the service contract. The normal credit term is 30 to 60 days upon delivery of the service.

As a practical expedient, the Group does not disclose the transaction price allocated to the remaining performance obligations as it recognises revenue from the customer at the amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Contracts with customers may include a variable consideration in addition to the fixed monthly fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The variable consideration is recognised at the point in time when it can be reliably estimated and the constraint applied.

Taxes collected from customers and remitted to government authorities are excluded from revenue.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer further to the accounting policy on financial assets (Note 2(t)) for details on initial recognition, subsequent measurement and impairment.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue from contracts with customers (continued)

Cost to obtain a contract

The Group pays sales commission to its employees for pre-determined milestones in relation to sales of its software services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

(l) Government grants

Government grants are recognised as other income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(n) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; and
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(o) Impact of COVID-19 pandemic

In preparing the consolidated financial statements, the Group has considered the impact of COVID-19 pandemic. Amounts received from the Federal Government in the form of JobKeeper and Cash Flow Booster payments have been recognised as other income in the consolidated statement of profit and loss and other comprehensive income, and have been separately disclosed in Note 5(a) to the consolidated financial statements. The impact of COVID-19 was considered and assessed as not having a material impact in determining expected credit losses, provisions for employee entitlements and other provisions, including impairment assessments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the 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.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit and loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the current and deferred tax is also recognised directly in equity.

(r) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(u) Financial Assets

Initial recognition and measurement

Financial assets within the scope of AASB 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The classification of financial assets that are debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policy on revenue at Note 2(k).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost

This category is the most relevant category to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Listed equity instruments that are designated at fair value through OCI are not subject to impairment assessment.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial Assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets at amortised cost

For contract assets, trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(v) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, or as payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification. The Group's only financial liabilities are trade and other payables.

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are subsequently measured at amortised cost using the effective interest method and are presented as current liabilities unless payment is not due within 12 months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss and other comprehensive income.

(w) Share-based payments

Consultants and employees (including senior executives) of the Group receive payment or remuneration in the form of share-based payments, whereby the consultants or the employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 16.

The cost is recognised in the share based payments expense (Note 16), together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (further details are given in Note 23).

(x) Loss per share

Basic loss per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted loss per share is calculated as net profit or loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Significant accounting judgements, estimates and assumptions

The directors made estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the consolidated financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and assumptions made have been described below:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- The Group determined that revenue from its fraud mitigation software service is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.
- The Group has determined that it is the principal in its agreements with its customers because it has control over the service before delivering it to the customer, it is primarily responsible for fulfilling the promise to deliver the service, and it is responsible for establishing the price for the service to be delivered.
- Certain contracts with customers contain a variable consideration in relation to each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is appropriate.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

Income Taxes

Judgement is required in assessing whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

The Group estimates that it has \$23,200,572 (2020: \$17,378,719) of tax losses carried forward. Although these losses do not expire, they may not be capable of being used to offset taxable income elsewhere in the Group. The Group has neither taxable temporary differences nor tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets in respect of the tax losses carried forward.

Further details on taxes are disclosed in Note 6.

Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated at Note 2(h). Impairment tests for other non-financial assets are performed only when impairment indicators have been identified.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next two years. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

The Group has assessed the goodwill recognised in relation to the FY 2016 acquisition of Croatian subsidiary, Appenture d.o.o and has concluded that this goodwill has been impaired, and has written it down to nil. The Group has also assessed the right-of-use asset recognised in accordance with AASB 16: Leases and has concluded that the right-of-use asset has not suffered any impairment.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due and adjusted for forward looking expectations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2021, the Group incurred a net loss after tax of \$8,998,963 and a net cash outflow from operating activities of \$7,264,567. The cash and cash equivalents balance at 30 June 2021 was \$3,231,414. The Group's net current asset position at 30 June 2021 was \$1,783,531.

The ability of the Group to pay its trade creditors, continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by generating sufficient revenues and raising further funds as required. In forming this view, the directors have considered the ability of the Company to raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. SEGMENT INFORMATION

The Group's operating segments comprise:

- **Technology:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia; and
- **Sales and marketing:** responsible for deploying the Group's sales and marketing initiatives and for providing ongoing customer service. These activities are carried out by sales and marketing personnel and consultants located in Australia, Singapore, England, Latin America and the United States.

Costs allocated to the "other" segment include:

- Occupancy costs and general office administration costs for the Perth head office; and
- Employment costs relating to corporate and management team located in Perth.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

Segment results for the year ended 30 June 2021

	Technology	Sales and marketing	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	-	964,110	-	964,110
Other income	1,180,494	100,000	476,514	1,757,008
Overheads	(4,925,549)	(3,065,318)	(2,597,838)	(10,588,705)
Other expenses	-	-	(939,471)	(939,471)
EBITDA	(3,745,055)	(2,001,208)	(3,060,795)	(8,807,058)
Reconciliation of reportable segment loss				
EBITDA	(3,745,055)	(2,001,208)	(3,060,795)	(8,807,058)
Interest income	-	-	10,856	10,856
Interest expense	(30,905)	-	(17,364)	(48,269)
Depreciation	(94,980)	(1,822)	(39,535)	(136,337)
Income tax expense	(4,659)	(13,496)	-	(18,155)
Loss after income tax	(3,875,599)	(2,016,526)	(3,106,838)	(8,998,963)

3. SEGMENT INFORMATION (CONTINUED)

Segment results for the year ended 30 June 2020

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Revenue	-	1,227,213	-	1,227,213
Other income	1,287,433	-	312,187	1,599,620
Overheads	(5,041,781)	(2,603,690)	(2,404,858)	(10,050,329)
Other expenses	-	-	(2,075,561)	(2,075,561)
EBITDA	(3,754,348)	(1,376,477)	(4,168,232)	(9,299,057)
Reconciliation of reportable segment loss				
EBITDA	(3,754,348)	(1,376,477)	(4,168,232)	(9,299,057)
Interest income	-	-	14,242	14,242
Interest expense	(33,115)	-	(21,130)	(54,245)
Depreciation	(92,502)	(1,855)	(41,985)	(136,342)
Income tax expense	(11,957)	-	-	(11,957)
Loss after income tax	(3,891,922)	(1,378,332)	(4,217,105)	(9,487,359)

Segment assets and liabilities at 30 June 2021

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Assets	1,336,126	324,352	2,656,958	4,317,436
Liabilities	1,407,811	255,258	852,164	2,515,233

Segment assets and liabilities at 30 June 2020

	Technology \$	Sales and marketing \$	Corporate \$	Consolidated \$
Assets	888,392	329,573	8,376,846	9,594,811
Liabilities	1,111,046	172,592	732,035	2,015,673

Geographic information

	Consolidated	
	2021 \$	2020 \$
Revenue from external customers by customer location:		
Australia	178,515	2,193
Foreign countries (refer to note 4.1 for further details)	785,595	1,225,020
Total	964,110	1,227,213

Included in revenue from foreign countries is revenue arising from sales shown in the sales and marketing segment from one customer which amounted to \$252,636 (2020: \$408,613).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. SEGMENT INFORMATION (CONTINUED)

Geographic information (continued)

	Consolidated	
	2021	2020
	\$	\$
Non-current operating assets by location		
Australia	35,721	69,387
United States	1,301	1,417
Asia Pacific	2,063	10
Other	5,829	1,290
Total	44,914	72,104

Non-current assets for this purpose consist of property, plant and equipment and goodwill.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Consolidated	
	2021	2020
	\$	\$
Revenue by type of goods or services		
Revenue from the sale of software as a service	964,110	1,227,213
Total revenue from contracts with customers	964,110	1,227,213
Revenue by timing of revenue recognition		
Services transferred over time	964,110	1,227,213
Total revenue from contracts with customers	964,110	1,227,213
Revenue by geographical region		
North America	127,979	337,352
Latin America	333,693	542,033
Asia Pacific	225,733	344,679
Australia	178,515	2,193
Europe	67,310	532
Middle East	24,390	344
Other	6,490	80
Total revenue from contracts with customers	964,110	1,227,213

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES

This note provides a breakdown of the significant items included in 'other income', 'overheads' and 'other expenses' shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

	Consolidated	
	2021	2020
	\$	\$
(a) Other income		
Research and development grant ¹	1,180,494	1,287,433
Export market development grant ²	100,000	-
JobKeeper and Cash Flow Booster stimulus income	446,850	305,000
Miscellaneous income	29,664	7,187
	1,757,008	1,599,620
(b) Administration costs		
IT costs	406,507	223,353
Office and general administration costs	183,760	151,533
Corporate travel	17,216	73,254
	607,483	448,140
(c) Compliance costs		
Accounting fees	9,878	10,579
ASX compliance fees	152,316	183,652
Audit and tax compliance fees	146,219	121,989
Regulatory body fees	6,731	6,426
	315,144	322,646
(d) Consultancy costs		
Legal	541,719	426,149
Investor relations	54,512	83,926
Other	141,264	50,633
	737,495	560,708
(e) Employment costs		
Salaries and wages ³	5,163,099	4,537,449
Ancillary employment costs	813,735	914,654
Other	53,412	53,979
	6,030,246	5,506,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES (CONTINUED)

	Consolidated	
	2021	2020
	\$	\$
(f) Marketing costs		
Advertising and marketing materials	592,814	236,393
Travel, entertainment, trade shows and events	17,800	254,209
Public relations	233,043	253,628
	843,657	744,230
(g) Expected credit losses and bad debt expense		
Trade receivables written off as a bad debt	3,596	35,312
Trade receivables: expected credit loss allowance recognised	-	279,343
Trade receivables: expected credit loss allowance reversed	-	(35,312)
	3,596	279,343
(h) Finance costs		
Interest expense on lease liabilities (refer to Note 10)	48,269	54,245
	48,269	54,245
(i) Depreciation		
Depreciation of property, plant and equipment	35,283	35,288
Depreciation of right-of-use asset	101,054	101,054
	136,337	136,342

- The research and development grant income has been received from the Australian government as the Group has undertaken qualifying research and development activities within Australia. Grant income is recognised when the funds are received whilst research and development expenses are recognised when incurred. The grant income recognised in the current year relates to FY20 research and development activities and was received in January 2021.
- The export market development grant income has been received from the Australian government as the Group has undertaken qualifying marketing activities outside of Australia. Grant income is recognised when the funds are received whilst marketing expenses are recognised when incurred. The grant income recognised in the current year relates to marketing activities in FY19 and FY20.
- Refer to Note 24 for further detail on director and executive remuneration.

6. INCOME TAX EXPENSE

	Consolidated	
	2021	2020
	\$	\$

Major components of income tax expense for the year are:

Current income tax

Current income tax charge	18,155	11,957
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Deferred income tax

Deferred income tax charge relating to origination and reversal of temporary differences	-	-
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Income tax expense reported in income statement	18,155	11,957
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Current income tax liability	18,155	11,957
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Amount offset against income tax refund receivable (refer Note 8)	(4,709)	(11,957)
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Income tax payable reported in statement of financial position	13,446	-
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Reconciliation

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year is as follows:

	Consolidated	
	2021	2020
	\$	\$
Accounting loss before tax	(8,980,808)	(9,475,402)
Income tax benefit at the statutory income tax rate of 27.5% (2020: 27.5%)	(2,469,722)	(2,605,736)
Adjusted for:		
Non-deductible share-based payment expenses	236,292	369,557
Non-deductible entertainment expenses	442	3,324
Non-deductible impairment loss	-	31,219
Non-deductible expected credit loss (deferred consideration)	-	156,164
Other non-deductible expenses	33,895	13,561
Non-assessable grant income	(324,636)	(354,044)
Other non-assessable amounts	(20,625)	(83,875)
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(7,127)	(4,824)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: \$2,687,986 (FY20: \$2,242,875) Singapore tax: \$12,898 (FY20: \$33,974) USA tax: \$93,777CR (FY20: \$209,763) Croatia tax: \$3,206CR (FY20: nil))	2,569,636	2,486,611
	18,155	11,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. INCOME TAX EXPENSE (CONTINUED)

Tax Consolidation

The Company and its 100% owned Australian incorporated subsidiaries formed a tax consolidated group with effect from 1 July 2015.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2021	2020
	\$	\$
Revenue losses	23,200,572	17,378,719
Capital losses	399,612	339,111
Temporary differences	4,147,332	4,387,273
	27,747,516	22,105,103
Unrecognised deferred tax assets at 27.5% (2020: 27.5%)	7,630,567	6,078,903

Tax losses do not expire under current Australian legislation. Tax losses relating to foreign jurisdictions amount to \$1,414,102 (2020: \$1,881,122).

Deferred tax assets have not been recognised in respect of tax losses or temporary differences because it is not certain that future taxable profit will be available in the near term against which the Group can utilise the benefits.

Availability of Tax Losses

The availability of the Group's tax losses for future periods is uncertain and will be dependent on strict requirements being satisfied with respect to continuity of ownership and the same business test imposed by income tax legislation.

The recoupment of tax losses as at 30 June 2021 is contingent upon the following:

- entities in the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- there being no changes in income tax legislation which would adversely affect the entities from realising the benefit from the losses.

7. CASH AND CASH EQUIVALENTS

For the purpose of the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2021	2020
	\$	\$
Cash at bank and on hand	3,231,414	8,351,840

The Group's cash is mainly held with a banking institution in Australia with a AA credit rating. Cash at bank earns interest at floating rates based on daily at call bank deposit and savings rates.

7. CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation from the loss after tax to the net cash flows from operations

	Consolidated	
	2021 \$	2020 \$
Net loss	(8,998,963)	(9,487,359)
<i>Adjustments for non-cash items:</i>		
Depreciation	136,337	136,342
Loss on disposal of plant and equipment	-	1,572
Share based payments	859,244	1,343,842
Unrealised foreign exchange differences	44,705	29,693
Impairment loss	34,000	113,525
Expected credit loss: trade receivables	-	244,030
Expected credit loss: deferred consideration	-	567,869
<i>Changes in assets and liabilities:</i>		
Increase in trade receivables ¹	(14,500)	(314,478)
(Increase) / decrease in other receivables	96,570	(127,450)
Increase in prepayments	(29,259)	(17,239)
Increase in trade and other payables ¹	588,273	39,559
Increase in provision for employee entitlements	5,581	237,319
Increase in provision for income tax	13,445	-
Net cash generated by operating activities	(7,264,567)	(7,232,775)

¹ Movement is stated after adjusting for the effects of movements in foreign exchange rates from the beginning of the financial year to the end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	\$	\$
CURRENT		
Trade receivables (a)	480,435	465,934
Allowance for expected credit losses (b)	(256,487)	(279,633)
Net trade receivables	223,948	186,301
Deferred consideration receivable	567,869	567,869
Allowance for expected credit losses (b)	(567,869)	(567,869)
Net deferred consideration receivable	-	-
Income tax refund receivable	16,266	21,358
JobKeeper and Cash Flow Booster funding receivable	-	135,000
Sundry receivables	970	2,013
Deposits	37,309	35,966
GST receivables	64,601	20,420
Other receivables	119,146	214,757
	343,094	401,058

(a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 30-60 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(u).

(b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

	Consolidated	
	2021	2020
	\$	\$
Allowance for expected credit losses: trade receivables		
Balance at 1 July	279,633	35,603
Allowance for expected credit losses recognised	-	279,633
Trade receivables written off as bad debts	-	(35,603)
Impact of movement in foreign exchange rate	(23,146)	-
Balance at 30 June	256,487	279,633
Allowance for expected credit losses: deferred consideration		
Balance at 1 July	567,869	-
Allowance for expected credit losses recognised	-	567,869
Balance at 30 June	567,869	567,869

The allowance for expected credit losses on trade receivables relates to amounts owing by Mpire Network Inc. The allowance for expected credit losses on the deferred consideration receivable relates to amounts owing by ClearPier Inc.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Allowance for expected credit losses (continued)

As part of the process whereby the Group disposed of 90% of Mpire Network Inc to ClearPier Inc, the Group agreed to licence its nxus and TrafficGuard products to Mpire Network Inc for a minimum term of 1 year, commencing on 1 August 2018. The initial term of the licencing agreements came to an end on 31 July 2019, and under the terms of the agreements, they automatically renewed for a further 12-months unless terminated 30 days before the end of the initial term. Mpire Network Inc did not provide a termination notice to the Group. However, after the second term commenced, Mpire Network Inc disputed the renewal mechanism and failed to pay a number of invoices relating to the second term of the licencing agreements. In addition, ClearPier Inc defaulted on settling the deferred consideration in accordance with the Sale and Purchase Agreement.

Although the Group is actively pursuing the outstanding amounts, in the prior year it recognised expected credit losses for 100% of the balances owing. No changes were made to the allowance for expected credit losses in the current year.

(c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term in nature.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 18.

9. PLANT AND EQUIPMENT

	Consolidated: 2021			
	Leasehold improvements	Computer Equipment	Office Equipment	Total
	\$	\$	\$	\$
Cost	80,393	158,924	90,008	329,325
Accumulated depreciation	(78,112)	(125,484)	(80,815)	(284,411)
Carrying amount at 30 June 2021	2,281	33,440	9,193	44,914
Reconciliation				
Carrying amount at 1 July 2020	18,360	15,654	4,090	38,104
Additions	-	33,682	9,810	43,492
Disposals	-	(1,292)	-	(1,292)
Impact of foreign exchange	-	-	(107)	(107)
Depreciation	(16,079)	(14,604)	(4,600)	(35,283)
Carrying amount at 30 June 2021	2,281	33,440	9,193	44,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9. PLANT AND EQUIPMENT (CONTINUED)

	Consolidated: 2020			Total \$
	Leasehold improvements \$	Computer Equipment \$	Office Equipment \$	
Cost	80,393	127,350	84,967	292,710
Accumulated depreciation	(62,033)	(111,696)	(80,877)	(254,606)
Carrying amount at 30 June 2020	18,360	15,654	4,090	38,104
Reconciliation				
Carrying amount at 1 July 2019	34,439	16,446	9,072	59,957
Additions	-	13,395	2,804	16,199
Disposals	-	-	(2,842)	(2,842)
Impact of foreign exchange	-	-	78	78
Depreciation	(16,079)	(14,187)	(5,022)	(35,288)
Carrying amount at 30 June 2020	18,360	15,654	4,090	38,104

Refer to Note 2(g) for further details on the Group's accounting policies for plant and equipment.

10. RIGHT OF USE ASSETS

The Group is the lessee in lease contracts for office premises and various items of office equipment. Leases of office premises generally have lease terms of between 1 and 10 years, while office equipment generally has a lease term between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

In the case of leases of office premises and low value office equipment with lease terms of 12 months or less, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions under AASB 16 on leases. In the case of leases of office premises with lease terms over 12 months, the Group has recognised a right-of-use asset and an associated lease liability.

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

	Consolidated	
	2021 \$	2020 \$
Office Premises		
Opening balance	606,322	707,376
Depreciation expense	(101,054)	(101,054)
Closing balance	505,268	606,322

10. RIGHT OF USE ASSETS (CONTINUED)

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	Consolidated	
	2021	2020
	\$	\$
Lease Liabilities		
Opening balance	648,275	707,376
Interest expense	48,269	54,245
Lease payments	(124,484)	(113,346)
Closing balance	572,060	648,275
Current lease liabilities	103,110	90,597
Non-current lease liabilities	468,950	557,678
	572,060	648,275

The following are the amounts recognised in profit or loss in relation to leased assets:

	Consolidated	
	2021	2020
	\$	\$
Right-of-use-assets		
Depreciation of right-of-use-assets	101,054	101,054
Interest expense on lease liabilities associated with right-of-use-assets	48,269	54,245
Short term or low value asset leases		
<i>Included in occupancy costs</i>		
Rent expense - short-term lease	41,600	34,672
<i>Included in administration costs</i>		
Rent expense - low-value assets	1,500	1,500
Total amount recognised in profit or loss	192,423	191,471

The Group had total cash outflows for leases of \$124,484 in the current year (2020: \$113,346).

The Group has a lease contract that includes extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (Note 2(c)(ii)(a)).

11. INVESTMENTS

	Consolidated	
	2021	2020
	\$	\$
Unlisted equity investment	-	-
	-	-

Pursuant to the sale of its performance marketing business on 31 July 2018, the Group retains a 10% equity interest in Mpire Network Inc. During the prior year, the Group considered a number of factors relating to its investment in Mpire Network Inc which resulted in the value of this investment being estimated to be nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$	\$
Trade payables	849,522	503,735
Statutory liabilities	200,206	119,693
Other payables	277,743	146,445
	1,327,471	769,873

Trade and other payables are non-interest bearing and are unsecured. Balances are usually settled within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

13. PROVISIONS

	Consolidated	
	2021	2020
	\$	\$
CURRENT		
Employee benefits	539,696	478,229
Other provisions	-	72,633
	539,696	550,862
NON-CURRENT		
Employee benefits	62,560	46,664

The current provision for employee benefits relates to the Group's liability for annual leave and long service leave. The non-current provision for employee benefits relates only to the Group's liability for long service leave.

Movement in the provisions for employee benefits for continuing operations is as follows:

	Consolidated			
	2021		2020	
	Annual leave	Long service leave	Annual leave	Long service leave
	\$	\$	\$	\$
Balance at 1 July	351,624	173,269	227,838	132,368
Amounts provided for during the year	420,693	28,206	294,658	48,041
Unused leave balances paid during the year	(98,720)	-	(9,331)	-
Leave taken during the year	(272,816)	-	(161,541)	(7,140)
Balance at 30 June	400,781	201,475	351,624	173,269

The balance is split as follows:

Current portion	400,781	138,915	351,624	126,605
Non-current portion	-	62,560	-	46,664

14. CONTRIBUTED EQUITY

(a) Issued capital

	Consolidated	
	2021	2020
	\$	\$
Ordinary shares, fully paid	43,237,080	39,941,684

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Movements in share capital

	2021		2020	
	Number	\$	Number	\$
Shares on issue at 1 July	320,386,408	39,941,684	158,898,924	26,305,580
Shares issued on exercise of performance rights	9,250,000	930,837	-	-
Shares issued on exercise of options	2,620,000	393,000	1,300,225	145,023
Shares issued pursuant to a placement at \$0.055 per share ¹	-	-	33,975,543	1,868,655
Shares issued pursuant to a placement at \$0.075 per share ¹	-	-	33,333,333	2,500,000
Shares issued pursuant to a placement at \$0.075 per share ¹	-	-	28,710,000	2,871,000
Shares issued pursuant to a placement at \$0.17 per share ¹	-	-	20,706,759	3,520,149
Shares issued pursuant to a placement at \$0.075 per share ¹	26,666,667	2,000,000	-	-
Shares issued pursuant to a Share Purchase Plan	-	-	40,928,222	3,069,601
Shares issued as consideration for placement services	-	-	1,439,286	79,161
Shares issued as consideration for investor relations services	-	-	1,094,116	82,500
Share issue costs ²	-	(28,441)	-	(499,985)
Shares on issue at 30 June	358,923,075	43,237,080	320,386,408	39,941,684

¹ Placements were made to sophisticated and professional investors.

² Share issue costs is made up as follows:

	Consolidated	
	2021	2020
	\$	\$
Share issue costs paid during the year	(25,602)	(387,310)
Share issue costs included in trade and other payables at balance date	(2,839)	(33,514)
Fair value of shares issued as consideration for placement services	-	(79,161)
	(28,441)	(499,985)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

14. CONTRIBUTED EQUITY (CONTINUED)

(c) Capital Risk Management

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2021 and 30 June 2020.

	Consolidated	
	2021	2020
	\$	\$
Trade and other payables (Note 12)	1,327,471	769,873
Lease liabilities (Note 10)	572,060	648,275
	1,899,531	1,418,148
Less: cash and cash equivalents (Note 7)	(3,231,414)	(8,351,840)
Net (Debt) / Capital	(1,331,883)	(6,933,692)
Equity	43,237,080	39,941,684
Total Capital	43,237,080	39,941,684
Capital and net debt	41,905,197	33,007,992
Gearing ratio	(3%)	(21%)

15. RESERVES

	Consolidated	
	2021 \$	2020 \$
Foreign currency translation reserve	38,763	40,537
Share based payments reserve	5,094,942	5,166,535
Foreign currency translation reserve		
Balance at beginning of year	40,537	15,973
Foreign exchange differences arising on translation of foreign operations	(1,774)	24,564
Balance at end of year	38,763	40,537
Share based payments reserve		
Balance at beginning of year	5,166,535	3,905,193
Fair value of options issued to directors	289,154	-
Fair value of options issued as consideration for investor relations services	91,456	-
Fair value of options issued to staff	5,981	28,625
Fair value of Class H Performance Rights converted into ordinary shares	(51,206)	-
Fair value of Class I Performance Rights converted into ordinary shares	(102,413)	-
Fair value of Class J Performance Rights converted into ordinary shares	(102,413)	-
Fair value of Class T Performance Rights converted into ordinary shares	(674,805)	-
Fair value of Class H Performance Rights recognised	-	47,461
Fair value of Class I Performance Rights recognised	-	94,924
Fair value of Class J Performance Rights recognised	-	94,924
Fair value of Class K Performance Rights recognised	(110,032)	95,054
Fair value of Class L Performance Rights recognised	(123,786)	101,317
Fair value of Class M Performance Rights recognised	(44,013)	32,779
Fair value of Class N Performance Rights recognised	(33,009)	21,776
Fair value of Class O Performance Rights recognised	(22,006)	7,027
Fair value of Class P Performance Rights recognised	(147,615)	147,615
Fair value of Class Q Performance Rights recognised	(147,615)	147,615
Fair value of Class R Performance Rights recognised	(147,615)	147,615
Fair value of Class S Performance Rights recognised	422,372	226,586
Fair value of Class T Performance Rights recognised	824,328	226,586
Employee share scheme expense	1,644	7,554
Employee option scheme expense	-	60,470
Balance at end of year	5,094,942	5,166,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15. RESERVES (CONTINUED)

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency for foreign operations.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments provided to employees, consultants and other third parties.

16. SHARE BASED PAYMENTS

The share-based payments expense recognised during the year is comprised as follows:

	2021		2020	
	Number granted	\$	Number granted	\$
Options granted as consideration for investor relations services	1,500,000	91,456	-	-
Options granted to non-executive directors	5,000,000	289,154	-	-
Vesting of options granted under employee option plan ¹	-	5,981	-	60,470
Options granted under employee option plan ¹	-	-	600,000	28,624
Shares issued as consideration for investor relations services	-	-	1,094,116	82,500
Vesting of performance rights classes H – O ¹	-	-	-	495,258
Lapsing of performance rights classes H – O ¹	-	(332,846)	-	-
Performance rights granted (classes P – R) ¹	-	-	6,000,000	442,847
Lapsing of performance rights classes P – R	-	(442,845)	-	-
Performance rights granted (class S) ¹	-	-	5,750,000	226,590
Vesting of performance rights (class S) ¹	-	481,034	-	-
Lapsing of performance rights (class S)	-	(58,662)	-	-
Performance rights granted (class T) ¹	9,000,000	824,328	-	-
Vesting of shares issued under employee share plan ¹	-	1,644	-	7,553
		859,244		1,343,842

Notes

- ¹ There are vesting conditions attached to these securities. The fair value at grant date is recognised over the vesting period.

16. SHARE BASED PAYMENTS (CONTINUED)

(a) Options

The movement in options during the year is set out below:

	2021		2020	
	Number	Fair value per option at grant date (cents)	Number	Fair value per option at grant date (cents)
Opening balance	62,246,109		64,446,334	
Options granted pursuant to investor relations agreement	1,500,000	6.1	-	-
Options granted to non-executive directors	5,000,000	5.78	-	-
Options granted under employee option plan	-		400,000	4.76
Options granted under employee option plan	-		200,000	7.78
Exercised during the year	(2,620,000)		(1,300,225)	
Expired during the year	(530,000)		(1,500,000)	
Closing balance	65,596,109		62,246,109	

The fair value of the options granted during the year was \$380,610 (2020: \$34,607).

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2021 was 0.47 years (30 June 2020: 1.23 years).

The exercise price for share based payment options outstanding as at the end of the period was a range of \$0.10 to \$0.20 (30 June 2020: \$0.10 to \$0.45).

Holders of options do not have any voting or dividend rights in relation to the options.

(b) Performance Rights

The following table illustrates the movement in the number of performance rights on issue during the year:

	Opening balance at 1 July 2020	Granted during the year	Converted into ordinary shares during the year	Lapsed during the year	Closing balance at 30 June 2021
Class H	450,000	-	450,000	-	-
Class I	900,000	-	900,000	-	-
Class J	900,000	-	900,000	-	-
Class K	1,800,000	-	-	1,800,000	-
Class L	2,700,000	-	-	2,700,000	-
Class M	1,800,000	-	-	1,800,000	-
Class N	2,700,000	-	-	2,700,000	-
Class O	3,600,000	-	-	3,600,000	-
Class P	2,000,000	-	-	2,000,000	-
Class Q	2,000,000	-	-	2,000,000	-
Class R	2,000,000	-	-	2,000,000	-
Class S	5,750,000	-	-	750,000	5,000,000
Cass T	-	9,000,000	7,000,000	-	2,000,000
	26,600,000	9,000,000	9,250,000	19,350,000	7,000,000

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For the year ended 30 June 2021

16. SHARE BASED PAYMENTS (CONTINUED)

(b) Performance Rights (continued)

The vesting conditions, performance milestones and expiry dates attached to the performance rights on issue at 30 June 2021 are set out below:

Tranche	Vesting Condition	Expiry date
Class S	These performance rights vest provided the employee remains a full-time employee of the Group 2 years from date of issue	25 April 2022
Class T	A total of 3,000 clients signed up to the Company's Freemium offering	30 June 2023

The fair value of performance rights granted during the year was \$824,328 (2020: \$2,218,844).

The performance rights were valued at grant date using the Black-Scholes model and took into account the following assumptions:

	Class T	Class T
Number granted	4,500,000	,450,000
Exercise price	Nil	Nil
Expiry date	30/06/2023	30/06/2023
Dividend yield	0.00%	0.00%
Expected volatility	92.25%	87.74%
Risk-free interest rate	0.26%	0.27%

Holders of performance rights do not have any voting or dividend rights in relation to the performance rights.

(b) Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted up to \$1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at \$1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

There were no shares issued under the plan in the current year (2020: nil).

(c) Employee Incentive Option Plan

Under the Employee Incentive Option Plan, eligible employees may be granted options in the Company to recognise work undertaken by the employees and to incentivise them further. The exercise price of options issued under the plan is calculated so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

During the current year, nil options were granted to employees under the plan (2020: 600,000).

17. ACCUMULATED LOSSES

	Consolidated	
	2021	2020
	\$	\$
Accumulated losses at the beginning of financial year	(37,569,619)	(28,082,260)
Net loss for the year	(8,998,963)	(9,487,359)
Accumulated losses at the end of financial year	(46,568,582)	(37,569,619)

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets (other than cash and cash equivalents)

	Consolidated	
	2021	2020
	\$	\$
Financial assets at amortised cost		
Trade and other receivables (Note 8)	343,094	773,966
Total financial assets (other than cash and cash equivalents)	343,094	773,966
Total current	343,094	773,966
Total non-current	-	-
	343,094	773,966

(b) Financial liabilities

	Consolidated	
	2021	2020
	\$	\$
Financial liabilities at amortised cost		
Trade and other payables (Note 12)	849,522	503,735
Interest bearing liabilities		
Lease liabilities (Note 10)	572,060	648,275
Total financial liabilities	1,421,582	1,152,010
Total current	952,632	594,332
Total non-current	468,950	557,678
	1,421,582	1,152,010

(c) Financial instruments risk management objectives and policies

The Group's principal financial assets include trade and other receivables, and cash and short-term deposits derived directly from its operations. The Group also holds a minority 10% equity investment in an unlisted entity. The Group has assessed the fair value of this investment to be nil and recognised an impairment loss of \$113,525 in the prior year. The Group's principal financial liabilities comprise trade and other payables and interest-bearing lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and are responsible for ensuring that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include trade and other receivables, unlisted equity investments, trade and other payables and interest-bearing lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is negligible given that the terms of lease liability that has been recognised have been agreed upfront and are in place until 30 June 2021.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The only material financial instruments denominated in a foreign currency held by the Group are cash amounts denominated in United States Dollars (USD), certain trade and other receivables denominated in USD and certain trade payables denominated in USD.

A summary of the AUD equivalent of the Group's USD denominated financial instruments at the reporting date is as follows:

	Consolidated	
	2021	2020
	\$	\$
Cash and cash equivalents	413,068	313,783
Trade and other receivables	164,018	184,279
Trade payables	(427,415)	(356,200)
Net exposure	149,671	141,862

The sensitivity analysis below relates to the foreign currency risk exposures in existence at the reporting date. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on loss before tax		Effect on pre-tax equity	
	(Higher)/Lower		Higher/(Lower)	
	2021	2020	2021	2020
	\$	\$	\$	\$
+11%	16,464	15,605	16,464	15,605
-11%	(16,464)	(15,605)	(16,464)	(15,605)

Translation risk

All USD denominated balance sheet accounts are converted to AUD at spot rate at year end. Group net assets are therefore sensitive to the exchange rate at year end. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on net group assets		Effect on equity before	
	before Australian group tax		Australian group tax	
	(Higher) / Lower		Higher / (Lower)	
	2021	2020	2021	2020
	\$	\$	\$	\$
+11%	141,884	197,145	141,884	197,145
-11%	(141,884)	(197,145)	(141,884)	(197,145)

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily in relation to trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

i. Trade receivables and contract assets

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the customer's financial position, past working experience with the customer (if any) and any other applicable factors. Individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and followed up accordingly. At 30 June 2021, the Group had 176 customers (2020: 11) of whom 7 owed \$404,008 and accounted for 84% of all trade receivables outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are generally based on days past due after considering any other relevant forward-looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different jurisdictions and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	30 June 2021		Days past due			
	Total \$	Current	30 days \$	30-60 days \$	61-90 days \$	> 90 days \$
Total gross carrying amount	480,435	215,401	-	8,547	-	256,487
Expected credit loss rate		0%	0%	0%	0%	100%
Expected credit loss	(256,487)					(256,487)
Net carrying amount	223,948	215,401	-	8,547	-	-

	30 June 2020		Days past due			
	Total \$	Current	30 days \$	30-60 days \$	61-90 days \$	> 90 days \$
Total gross carrying amount	465,934	184,122	-	2,179	-	279,633
Expected credit loss rate		0%	0%	0%	0%	100%
Expected credit loss	(279,633)	-	-	-	-	(279,633)
Net carrying amount	186,301	184,122	-	2,179	-	-

The credit risk associated with the deferred consideration receivable (Note 8) is assessed in the same manner as trade receivables.

Impairment of the deferred consideration receivable is assessed regularly. Management analyse the probability of default on the obligation to determine whether any expected credit loss is to be recognised. During the prior year, an expected credit loss of \$567,869 was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Credit risk (continued)

i. Trade receivables and contract assets (continued)

At 30 June, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Consolidated	
	2021	2020
	\$	\$
North America	20,921	99,942
Latin America	40,520	119,117
Asia Pacific	87,152	52,295
Europe	44,032	-
Australia	23,293	1,900
Middle East	5,817	-
Other	2,213	2,021
	223,948	275,275

At 30 June, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Consolidated	
	2021	2020
End-user customers	223,948	275,275

ii. Cash and cash equivalents

The Group held cash and cash equivalents of \$3,231,414 at 30 June 2021 (2020: \$8,351,840). All cash and cash equivalents are held with banks which the Group considers to be low risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and funding to ensure that the Group can meet its obligations when due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group holds the majority of its financial assets (excluding cash) as trade receivables with reputable customers who have had no significant payment issues in the past and hence, does not have any material liquidity risk at the reporting date.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

Exposure to liquidity risk

The following tables compare the carrying amounts at balance date to the remaining contractual liabilities at various maturities at balance date. The contractual amounts are gross, undiscounted, include any contractual interest payments and exclude the impact of netting arrangements:

30 June 2021	Carrying amount	Total	Contractual cash flows			
			12 months or less	1-2 years	2-5 years	5-10 years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Trade payables	849,522	849,522	849,522	-	-	-
Lease liabilities	572,060	681,363	130,291	269,377	281,695	-
	1,421,582	1,530,885	979,813	269,377	281,695	-

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Financial instruments risk management objectives and policies (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

	30 June 2020					
	Carrying amount	Total	Contractual cash flows			
			12 months or less	1-2 years	2-5 years	5-10 years
\$	\$	\$	\$	\$	\$	
Non-derivative financial liabilities						
Trade payables	503,735	503,735	503,735	-	-	-
Lease liabilities	648,275	808,837	127,474	263,485	417,878	-
	1,152,010	1,312,572	631,209	263,485	417,878	-

Fair values

Fair values of financial assets and liabilities have been assessed as being equivalent to their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The carrying amount of lease liabilities recorded in the financial statements approximate their fair values and are all classified as level 3 instruments per the below valuation methodology.

For financial instruments carried at fair value, the Group uses various methods in estimating fair value. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The equity investment held in Mpire Network is carried at nil value. The fair value for this investment was determined using the Level 3 method.

19. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments – Group as lessee

Future minimum rentals payable under short-term and low-value leases are as follows:

	Consolidated	
	2021	2020
	\$	\$
Within one year	3,585	2,845
After one year but not more than five years	-	-
More than five years	-	-
	3,585	2,845

(b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (2020: nil).

(c) Other Commitments

On 30 September 2020, the Group entered into an agreement with Google Australia Pty Limited in which the Company committed to a minimum spend of USD1,500,000 over 36 months on Google Cloud Platform services. If the spend on the Google Cloud Platform service is less than USD1,500,000 over the 36 month period, a "true-up" payment of the difference between accrued charges over the 36 months and the USD1,500,000 will be payable in addition to the accrued charges.

(d) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

20. GROUP STRUCTURE AND RELATED PARTY DISCLOSURES

(a) Group structure

The consolidated financial statements include the financial statements of Adveritas Limited (the parent entity) and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		2021	2020
Livelynk Group Pty Ltd ¹	Australia	100	100
TrafficGuard Pty Ltd ²	Australia	100	100
TrafficGuard APAC Pte Ltd ²	Singapore	100	100
TrafficGuard US Inc ²	United States	100	100
Mpire Network Inc. ²	Canada	10	10
Appenture d.o.o ²	Croatia	100	100

¹ equity interest is held directly by Adveritas Limited.

² equity interest is held directly by Livelynk Group Pty Ltd.

(b) Transactions with related parties

During the current year, Adveritas Limited continued its consultancy agreement with I3811 Advisory Pte Ltd, a company of which Mr Stott is the CEO and founder. The consultancy services include the provision of promotion and marketing services. Under the agreement, Mr Stott was entitled to consultancy fees of \$5,000 per month. At 30 June 2021, an amount of \$5,000 was owing to I3811 Advisory Pte Ltd (2020: \$5,000).

During the current year, Adveritas Limited entered into an agreement with Almonte Advisory Inc, a company of which Mr Besnard is the CEO and founder. The consultancy services include assisting the Company with its marketing execution and supporting the Company's business and product strategy. Under the agreement, Mr Besnard was paid USD48,300 during the current year.

(c) Guarantees

None of the entities within the Group are guarantors.

21. EVENTS AFTER BALANCE SHEET DATE

On 19 July 2021, the Group completed a \$3,000,000 capital raising through the placement of 30,000,000 shares at a price of \$0.10 per share to a small group of institutional and sophisticated investors.

No other event has arisen since 30 June 2021 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

22. AUDITORS' REMUNERATION

Remuneration of the Group's auditor, Ernst and Young, was as follows:

	Consolidated	
	2021	2020
	\$	\$
Audit or review of the consolidated financial report	80,654	98,186
Tax compliance services provided	56,975	39,111
	137,629	137,297

23. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the data used in the calculation of the basic and diluted loss per share:

	2021 Number	2020 Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	346,482,216	202,864,250
Weighted average number of ordinary shares used in the calculation of diluted loss per share	346,482,216	202,864,250
	\$	\$
Loss attributable to ordinary equity holders of Adveritas Limited for basic and diluted loss	(8,998,963)	(9,487,359)
	Cents	Cents
Basic earnings loss per share	(2.60)	(4.68)
Diluted loss per share	(2.60)	(4.68)

Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic loss per share.

Classification of securities as potential ordinary shares

No securities have been classified as dilutive potential ordinary shares on issue in the current year because the options and performance rights on issue are considered anti-dilutive on the basis that their inclusion in the calculation would reduce the loss per share.

The number of potential ordinary shares considered anti-dilutive at year end are as follows:

- 65,596,109 options; and
- 7,000,000 performance rights

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

24. DIRECTORS AND EXECUTIVE DISCLOSURE

Compensation of Key Management Personnel

	Consolidated	
	2021 \$	2020 \$
Short-term employee benefits	1,677,247	1,397,715
Post-employment benefits	82,300	81,666
Other long-term benefits	11,762	12,303
Share based payments	416,982	986,844
	2,188,291	2,478,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25. PARENT ENTITY INFORMATION

The following information relates to the legal parent entity of the Group, being Adveritas Limited. The information presented has been prepared using consistent accounting policies as presented in Note 2.

	As at 30 June 2021 \$	As at 30 June 2020 \$
Financial Position		
Assets		
Current assets	2,468,261	8,001,957
Non-current assets	2,088	2,538
Total assets	2,470,349	8,004,495
Liabilities		
Current liabilities	633,897	471,463
Non-current liabilities	15,907	5,874
Total liabilities	649,804	477,337
Net assets	1,820,545	7,527,158
Equity		
Contributed equity	40,004,978	36,709,582
Share based payment reserve	3,780,795	3,852,389
Accumulated losses	(41,965,228)	(33,034,813)
Total equity	1,820,545	7,527,158
Financial Performance		
Loss for the year	(8,930,415)	(19,079,239)
Other comprehensive income	-	-
Total comprehensive loss	(8,930,415)	(19,079,239)

In the directors' opinion:

- (a) The consolidated financial statements and notes of Adveritas Limited set out on pages 24 to 64 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's consolidated financial position as at 30 June 2021 and its performance for the financial year ended on that date, and
- (b) Note 2(b) confirms that the consolidated financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (c) Subject to Note 2(z), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the board



Stephen Belben

Non-Executive Chairman

Perth, Western Australia

Dated this 27th day of August 2021



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Independent auditor's report to the Members of Adveritas Limited

Report on the audit of the Financial Report

Opinion

We have audited the financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated 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:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 2(z) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Share-based payment expense

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Notes 15 and 16 to the financial report, the Group has awarded share-based payments to its employees, directors and consultants during the year, contributing to a total share-based payment expense of \$859,244.</p> <p>Due to the complex and judgmental estimates such as volatility used in determining the valuation of the share-based payments, we considered the Group's calculation of the share-based payment expense to be a key audit matter.</p>	<p>As part of our audit procedures, we assessed the Group's share based-payment expense calculations to determine whether the balances were calculated in accordance with Australian Accounting Standards.</p> <p>We involved our valuation specialists to assess the Group's calculation of the fair value of share-based payments issued during the year, including the key assumptions used.</p> <p>We also assessed the adequacy of the presentation and disclosures in Notes 15 and 16 of the financial report.</p>

2. Revenue from contracts with customers

Why significant	How our audit addressed the key audit matter
<p>The Group is in the business of providing its fraud mitigation software, TrafficGuard, as a service to its customers on a monthly basis. The Group applies AASB 15 <i>Revenue from Contracts with Customers</i> ("AASB 15") to recognise revenue in respect of the provision of software as a service over time.</p> <p>The Group's disclosures relating to revenue recognition are included in the summary of accounting policies in Note 2(k) to the financial report.</p> <p>Revenue is a key metric by which the performance of the Group and Key Management Personnel are assessed and as a result we considered the accounting for revenue to be a key audit matter.</p>	<p>As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies.</p> <p>We performed revenue transaction testing based on a representative sample of the customer contracts to ensure that the related revenue and trade receivables are recorded appropriately, taking into consideration the terms and conditions of the contracts. We also performed revenue cutoff testing to determine whether revenue and trade receivables are recognised in the correct period.</p> <p>We also considered the adequacy of the associated disclosures set out in the financial report for compliance with AASB 15.</p>



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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 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.



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

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

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 22 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Adveritas Limited for the year ended 30 June 2021, 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Mark P Cunningham', written in a cursive style.

Mark P Cunningham
Partner
Perth
27 August 2021

The following additional information is required by the Australian Securities Exchange. The information is current as at 17 September 2021.

CORPORATE GOVERNANCE

The Board of Adveritas Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at www.adveritas.com.au/about-us/corporate-governance.

SECURITY HOLDING

The security holding information outlined below is current as at 17 September 2021.

1. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Details set out in substantial shareholder notice			
Holder name	Number of shares	Voting interest	Date of lodgement of notice
Mark McConnell	60,407,910	17.10%	23/11/2020
Registered holder of securities:			
Mera Vale No. 4 Pty Ltd	49,915,035		
Mera Vale No. 1 Pty Ltd	8,000,000		
Aventos Investments Limited	1,162,875		
B. McConnell <McBren Investment A/C>	1,330,000		

2. NUMBER OF HOLDERS OF EACH CLASS OF EQUITY SECURITY

Ordinary fully paid shares

There are 2,012 holders of the 388,923,076 ordinary fully paid shares on issue.

Each shareholder is entitled to one vote per share. In accordance with the Company's constitution, on a show of hands every number present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Listed Options

There are 191 holders of the 55,496,109 listed options on issue.

Unlisted Options

There are 6 holders of the 9,700,000 unlisted options on issue.

There are no voting rights attached to these options.

Performance Rights

There are 7 holders of the 6,250,000 unlisted performance rights on issue.

There are no voting rights attached to these performance rights.

3. RESTRICTED SECURITIES

As at 17 September 2021, the following shares are under voluntary escrow:

- 1,000,000 shares are escrowed until 30 October 2021
- 500,000 shares are escrowed until 20 January 2022
- 5,750,000 shares are escrowed until 28 May 2022

4. DISTRIBUTION SCHEDULES

Shareholders

Spread of holders	Number of Shareholders	Number of Shares
Nil Holding	-	-
1 - 1,000	71	11,970
1,001 - 5,000	361	1,303,620
5,001 - 10,000	336	2,623,300
10,001 - 100,000	918	34,304,439
Over 100,000	326	350,679,747
Total on register	2,012	388,923,076

Listed Option Holders

Spread of holders	Number of Option Holders	Number of Options
Nil Holding	-	-
1 - 1,000	11	4,229
1,001 - 5,000	23	81,307
5,001 - 10,000	10	68,939
10,001 - 100,000	84	3,234,968
Over 100,000	63	52,106,666
Total on register	191	55,496,109

Unlisted Option Holders

Spread of holders	Number of Option Holders	Number of Options
Nil Holding	-	-
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
Over 100,000	6	9,700,000
Total on register	6	9,700,000

Performance Right Holders

Spread of holders	Number of Performance Rights Holders	Number of Performance Rights
Nil Holding	-	-
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
Over 100,000	7	6,250,000
Total on register	7	6,250,000

5. TOP 20 SHAREHOLDERS

	Holder name	Number	% of issued capital
1	MERA VALE NO 4 PTY LTD <MERA VALE NO 4 A/C>	49,915,035	12.83
2	DAWS & SON PTY LTD	42,366,668	10.89
3	MC MANAGEMENT GROUP PTY LTD	15,197,862	3.91
4	ADMAN LANES PTY LTD	10,000,000	2.57
5	SURF COAST CAPITAL PTY LTD <MINNIE P/F A/C>	9,800,000	2.52
6	MR LUKE TAYLOR <TAYLOR FAMILY A/C>	9,700,000	2.49
7	MERA VALE NOI PTY LTD <MERA VALE NOI TRUST A/C>	8,000,000	2.06
8	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	7,905,854	2.03
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,462,638	1.92
10	BNP PARIBAS NOMS (NZ) LTD <DRP>	6,700,000	1.72
11	UBS NOMINEES PTY LTD	5,764,533	1.48
12	UNAVAL NOMINEES PTY LTD UNAVAL MANAGEMENT RETIREMENT <A/C>	5,500,000	1.41
13	MR MATHEW JAMES RATTY <MJR FAMILY A/C>	4,750,000	1.22
14	MS SUSAN MARGARET FORRESTER + MR BRUCE FORRESTER <FORRESTER FAMILY SF 1 A/C>	3,500,000	0.90
15	ZESSHAM PTY LTD <ZESSHAM A/C>	3,500,000	0.90
15	BPCULTRA PTY LTD	3,199,000	0.82
17	MRS REBECCA JOY DRENOVSKI	3,150,000	0.81
18	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,907,902	0.75
19	CITICORP NOMINEES PTY LIMITED	2,897,825	0.75
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,895,366	0.74
		205,112,683	52.74

6. MARKETABLE PARCELS

There are 370 shareholders with less than a marketable parcel of \$500 based on a share price of 10 cents.

7. ON-MARKET BUY-BACK

The Company is not currently undertaking an on-market buy-back.



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