SQID TECHNOLOGIES LIMITED
AND ITS CONTROLLED ENTITIES

ABN: 44 121 655 472

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020

SQID TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE PERIOD ENDED
31 DECEMBER 2020

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DIRECTORS' REPORT

The directors present their report together with the financial report of the Group consisting of SQID Technologies Limited (the Company) and the entities it controlled (the Group), for the year ended 31 December 2020 and auditor's report thereon.

Directors

The names of directors in office at any time during the period are:

Athan Lekkas appointed 20 February 2020

Andrew Sterling appointed 5 August 2013

John O'Connor appointed 18 July 2019, resigned 2 March 2021

Michael Clarke appointed 6 August 2019

Peter Hall appointed 21 October 2013, resigned February 21 2020

The directors have been in office since the start of the period to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year were the processing of credit card payments and direct debits on behalf of Australian e-commerce merchants and related businesses.

There has been no significant change in the nature of these activities during the financial year.

Results

The consolidated profit after income tax attributable to the members of the Group for the year ended 31 December 2020 was $72,407 (period ended 31 December 2019: $196,129).

Review of operations

A review of the operations of the Group during the period and the results of those operations are as follows:

- The Group's operations remain unchanged from the last report.
  - Processing credit card transactions for ecommerce merchants and deducting a fee from these transactions.
  - Processed transaction volume has grown since last period by 5%, however growth was curtailed by the loss of a large merchant Group in November – refer "Significant changes in the state of affairs" below. Margins have remained consistent.
  - There is one key operating segment of the business.
  - The investments in Vello (11% stake) & ICON (50% stake) are expected to yield significant transaction revenue from 2021 onwards.

- The financial position of the Group
  - The wholesale rate that the Company acquires transaction at and the retail rate that is received for the processing of transactions remains consistent with prior periods.
  - The accounting information and other details relevant to an understanding of the financial position of the Group are:
    - There have been no changes in the funding or dividend strategy of the Group.
    - There have been no impacts of any unrecognised assets and/or any exposures not recognised in the financial statements.
    - There have been no unusual contractual conditions.
    - There has been no modification by the Group's auditor in the audit report.

Significant changes in the state of affairs

On 18 November 2020, a group of merchants comprising 94% of revenue ceased trading. This was due to this group being unable to meet the required level of PCI compliance as a result of a review by management.

Subsequent events

1. On 8 January 2021, Lee Horobin resigned as Chief Financial Officer & Joint Company Secretary. He will work up until 7 July 2021 as required.
2. On 14 January 2021, Robyn Gunnis resigned as Chief Operating Officer. She will work up until 13 July 2021 as required.
3. On 27 January 2021, half (4,000,000) of the shares in Cirralto were sold resulting in proceeds of $287,182 and a profit on sale of $168,133.
4. On 28 January 2021, half (4,000,000) of the shares in Cirralto were sold resulting in proceeds of $281,831 and a profit on sale of $162,764.
5. On 1 February 2021 the Group invested $AUD2.15m for 50% of the ordinary shares in ICON Esports Pty Ltd (ICON). ICON runs The Chiefs Esports platform, a premier Electronic Sports club in Australia, featuring top teams in various competitive video games. The stake represents 50% of the voting rights in ICON. The Group also has 2 seats on the 3-seat board in Athan Lekkas and Michael Clarke. The acquisition was made with a view to providing the Group with transaction revenue from ICON's trading activities.
   The acquisition was made with cash, and the Group anticipates earning transaction revenue from ICON via its payments platform.
   The assets and liabilities recognised as a result of the acquisition are as follows. These are preliminary figures to be finalised in due course.

Cash	44,847
Other Current Assets	613,467
ATO Liabilities	(83,310)
Employee Liabilities	(125,142)
Loans	(263,816)
Other Identified Intangibles	1,178,230
Net Identifiable Assets Acquired	1,364,276
Less: Non-Controlling Interests	(682,138)
Add: Goodwill	1,467,862
Net Assets Acquired	2,150,000

   The goodwill will not be deductible for tax purposes.
6. On 16 February 2021, the Group resolved to not pursue D&O insurance renewal until June 2021.
7. On 2 March 2021, John O'Connor resigned from the board.

There are no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

The Group intends to develop revenue streams via its investments in Vello Pty Ltd and ICON Esports Pty Ltd.

Environmental regulation

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the period.

Shares under option

Unissued ordinary shares of SQID Technologies Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
13 August 2020	12 August 2021	CAD $0.80	200,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Group or of any other body corporate. No shares have been issued as a result of the exercise of an option over unissued shares during the or since the end of the year.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of the Group at any time during or since 1 January 2020 is provided below, together with details of the company secretary as at the year end.

Athan Lekkas	• Investment expert in the technology sector. • Many years of investment banking experience, including advising on cross border transactions including capital raisings, funding and structuring of acquisitions, joint ventures overseas and participated in a broad range of business and corporate advisory transactions.
Andrew Sterling Cert IV in Financial Services, Diploma of Financial Services	• Over 30 years of banking and finance experience including senior positions at ANZ & Citibank. • Member of Audit & Remuneration Committees. • No other directorships of listed companies were held at any time during the three years prior to 31 December 2020.
Peter Hall BSc, MBA (resigned February 21 2020)	• Over 35 years of experience as a company director, entrepreneur and professional advisor to businesses. • No other directorships of listed companies were held at any time during the three years prior to 31 December 2020.
John O’Connor (resigned 2 March 2021)	• Over 35 years of professional management and business experience, across diverse industries, including private, ASX listed and multinationals. • Extensive company director experience for over 20 years. • Member of Audit & Remuneration Committees.
Michael Clarke	• Over 18 years of experience in the IT industry, company director across both private and public companies including with ASX listed companies. • During the three years prior to 31 December 2020, a Director of First Growth Funds Limited • Member of Audit & Remuneration Committees.
Lee Horobin – Company Secretary B.Bus (Acc), B.Bus (Acc) (Hons), MBA, CPA, GAICD, ACIS	• Over 20 years of experience in finance and governance roles across varied industries and organisation types.
Mark Pryn – Company Secretary B.Econ CA GAICD, ACIS	• Over 25 years of experience in finance and governance roles across varied industries and organisation types, including 10 years with ASX-listed entities.

Directors’ meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
Athan Lekkas	11	11	-	-	-	-
Andrew Sterling	14	14	4	4	1	1
Peter Hall	3	3	-	-	-	-
John O’Connor	14	14	4	4	1	1
Michael Clarke	14	14	4	4	1	1

Directors’ interests in shares or options

Directors’ relevant interests in shares of SQID Technologies Limited or options over shares in the Group as at the date of signing this report are detailed below.

Directors' relevant interests in:	Ordinary shares of SQID Technologies Limited	Options over shares in SQID Technologies Limited
Andrew Sterling	903,300	-

No options were granted to the directors or five highest remunerated officers of the Group during or since the end of the financial year.

Indemnification and insurance of directors, officers and auditors

The Group has paid a premium insuring all the directors and the officers against any payment they shall become legally obligated to make (excluding fines, penalties or exemplary damages), legal costs and expenses arising out of any claims made against them jointly or severally by reason of wrongful acts including breach of duty or trust, neglect, error, misstatement or misleading statement, omission, breach of warranty of authority or other act done or wrongly attempted whilst acting in their capacity as director or officer of the nominated Group. The Group has been unable to secure insurance beyond the expiry period of 14 January 2021 and has elected to defer this until June 2021.

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration in relation to the audit for the financial period is provided with this report in accordance with section 307C of the *Corporations Act 2001*.

Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated Group during the year, namely Pitcher Partners Brisbane network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group or any of its related entities, acting as an advocate the Group or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of the Group or any of its related entities.

There are no officers of the Group who are former partners of Pitcher Partners.

Change of financial year

The directors resolved to change the financial year-end of the Group from 30 June to 31 December commencing the period ended 31 December 2019. As a result, the comparative figures in the financial report are for the 6 months ended 31 December 2019.

Signed in accordance with a resolution of the board of directors.

Athan Lekkas - Director

Melbourne
13 April 2021

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The Directors
SQID Technologies Limited
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 31 December 2020, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of SQID Technologies Limited and the entities it controlled during the year.

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
13 April 2021

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

	Notes	12 months ended 31 Dec 2020 $	6 months ended 31 Dec 2019 $
Revenue and other income			
Revenue from contracts with customers	4	7,198,680	3,457,487
Interest income		22,367	44,002
Other income	5	377,365	-
		7,598,412	**3,501,489**
Less: Expenses			
Direct transaction costs	5	4,319,119	2,048,628
Employee benefits expense	5	537,207	219,146
Depreciation and amortisation	5	58,268	32,872
Impairment losses	5	124,155	-
Consultancy fees		557,212	256,445
Directors fees		123,333	56,129
Professional fees		931,676	98,228
Listing costs		11,765	371,500
IT & hosting costs		115,257	39,663
Loss on redemption of investment held at amortised cost		39,690	-
Other expenses		245,941	185,510
		7,063,623	**3,308,121**
Profit before income tax expense		**534,789**	**193,368**
Income tax benefit / (expense)	6	(462,382)	2,761
Profit for the year		**72,407**	**196,129**
Other comprehensive income		-	-
Total comprehensive income for the year		**72,407**	**196,129**
Total comprehensive income for the year attributable to Owners of SQID Technologies Limited		**72,407**	**196,129**
Basic earnings per share	23	**0.009**	**0.024**
Diluted earnings per share	23	**0.009**	**0.024**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 $	31 Dec 2019 $
Current assets			
Cash and cash equivalents	7	2,998,162	1,678,713
Receivables	9	285,483	186,741
Other financial assets	10	354,000	1,924,659
Security deposits	8	186,987	-
Other current assets	12	52,193	5,987
Total current assets		**3,876,825**	**3,796,100**
Non-current assets			
Property, plant and equipment	13	-	1,099
Intangible assets	14	-	175,318
Other financial assets	10	553,931	-
Security deposits	8	50,000	236,874
Deferred tax assets	6	121,442	583,825
Total non-current assets		**725,373**	**997,116**
Total assets		**4,602,198**	**4,793,216**
Current liabilities			
Payables	15	213,525	1,054,310
Merchant liabilities	16	1,093,082	636,751
Employee provisions	17	69,686	42,558
Total current liabilities		**1,376,293**	**1,733,619**
Non-current liabilities			
Employee provisions	17	15,413	-
Total non-current liabilities		**15,413**	**-**
Total liabilities		**1,391,706**	**1,733,619**
Net assets		**3,210,493**	**3,059,597**
Equity			
Share capital	18	6,855,020	6,822,170
Reserves	19	45,639	-
Accumulated losses	20	(3,690,166)	(3,762,573)
Total equity		**3,210,493**	**3,059,597**

The above statement should be read in conjunction with the accompanying notes.

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

	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance as at 1 July 2019	**6,544,627**	**-**	**(3,958,702)**	**2,585,925**
Profit for the period	-	-	196,129	196,129
Total comprehensive income for the period	**-**	**-**	**196,129**	**196,129**
Transactions with owners in their capacity as owners:				
Share buyback	(15,341)	-	-	(15,341)
Share issue	292,884	-	-	292,884
Balance as at 31 December 2019	**6,822,170**	**-**	**(3,762,573)**	**3,059,597**
Balance as at 1 January 2020	**6,822,170**	**-**	**(3,762,573)**	**3,059,597**
Profit for the year	-	-	72,407	72,407
Total comprehensive income for the period	**-**	**-**	**72,407**	**72,407**
Transactions with owners in their capacity as owners:				
Share issue	32,850	-	-	32,850
Share-based payments	-	45,639	-	45,639
Balance as at 31 December 2020	**6,855,020**	**45,639**	**(3,690,166)**	**3,210,493**

The above statement should be read in conjunction with the accompanying notes.

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

	Notes	12 months ended 31 Dec 2020 $	6 months ended 31 Dec 2019 $
Cash flow from operating activities			
Receipts from customers		7,521,224	3,677,555
Receipts of government grants & subsidies		100,000	-
Payments to suppliers and employees		(7,599,977)	(3,135,201)
Interest received		22,367	44,002
Net cash provided by operating activities	22(a)	**43,614**	**586,356**
Cash flow from investing activities			
Payment for property, plant and equipment		(5,965)	(5,139)
Proceeds from investments		1,924,659	-
Payment for investments		(642,859)	(549,235)
Net cash provided by / (used in) investing activities		**1,275,835**	**(554,374)**
Cash flow from financing activities			
(Buyback) / Issuance of share capital		-	(15,341)
Net cash provided by / (used in) financing activities		**-**	**(15,341)**
Net increase in cash and cash equivalents		**1,319,449**	**16,641**
Cash and cash equivalents at beginning of year		1,678,713	1,662,072
Cash and cash equivalents at end of the year	7, 22(b)	**2,998,162**	**1,678,713**

The above statement should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

The following are the significant accounting policies adopted by SQID Technologies Limited (the Group) and its controlled entities (the Group) in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The directors resolved to change the financial year-end of the Group from 30 June to 31 December commencing the period ended 31 December 2019. As a result, the comparative figures in the financial report are for the 6 months ended 31 December 2019.

(a) Basis of preparation of the financial report

This financial report is a general-purpose financial report that has also been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Compliance with IFRS
These audited consolidated financial statements also comply with International Financial Reporting Standards (IFRS") issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial report covers SQID Technologies Limited and its controlled entities as a Group. SQID Technologies Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Group's registered office and principal place of business is Level 14, 440 Collins Street, Melbourne 3000. The Group is a for-profit entity for the purpose of preparing the financial report.

The financial report was approved by the directors as at the date of the directors' report.

All amounts are presented in Australian dollars.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

For financial reporting purposes, '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 (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

(b) Going concern

As announced on 23 November 2020, a large group of customers representing approximately 94% of the Group's operations was unable to meet the required level of compliance with the Payment Card Industry Data Security Standard. As a result, SQID was unable to continue servicing these customers. The loss of these customers has had a material impact on the Group's revenue and earnings and is expected to continue to have an impact in the short to medium term.

In order to mitigate the impact of the loss of customers, the Group has undertaken a restructure of the management team to downsize overheads and costs. Subsequent to year end, the Group has acquired 50% of Icon Esports Pty Ltd which is expected to provide the Group with new streams of revenue.

Furthermore, the Group has engaged Shape Capital Pty Ltd to raise up to $2m in capital to assist in meeting working capital requirements and assist the Group in continuing operations whilst redeveloping the customer base.

The ability of the Group to continue as a going concern is principally dependant on the following:

- The successful integration of revenue streams from Icon Esports Pty Ltd and acquisition of new customers to use SQID's payment processing platform; and
- The ability of the Group to raise additional funding in the future.

These conditions give rise to a material uncertainty which may cast significant doubt of the Group's ability to continue as a going concern. Should the above actions not generate the expected cash flow, the Group may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts that differ from those stated in the financial statements. The report does not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Based on the success of the previous capital raisings combined with the anticipated cash-flows arising from the integration of Icon Esports Pty Ltd, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks. Bank overdrafts, if any, are shown within borrowings in current liabilities in the consolidated statement of financial position.

(d) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Termination benefits

The Group recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

(e) Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

(f) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Group’s business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Held for trading equity instruments

Held for trading equity instruments comprise those ordinary shares and options in listed entities that have been acquired by the Group principally for the purpose of sale in the near term. Held for trading investments are classified (and measured) at fair value through profit or loss.

A financial asset meets the criteria for held for trading if:

(a) it has been acquired principally for the purpose of sale in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative other than a designated and effective hedging instrument.

Receivables

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments at amortised cost; and

(b) receivables from contracts with customers and contract assets.

The Group applies the simplified approach under AASB 9 *Financial Instruments* (IFRS 9) to measuring the allowance for credit losses receivables from contracts with customers.

The Group has identified contractual payments more than 180 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the Group's historical experience.

Classification of financial liabilities

The Group's financial liabilities, which include payables and other liabilities, are subsequently measured at amortised cost.

Payables and other liabilities

These are normally settled within seven days of end of month.

Other liabilities comprise merchant bonds which have no set duration. They are used as security over accounts and can be increased or reduced at the Group's discretion. They are used to recover outstanding amounts.

(g) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Impairment of non-financial assets

Intangible assets with definite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the assets or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income, to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(i) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

SQID Technologies Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated Group continue to account for their own current and deferred tax amounts. The tax consolidated Group has applied the 'separate taxpayer within Group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated Group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated Group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(j) Intangible assets

Patents

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, separately acquired intangible assets are recognised at cost and amortised over 20 years on a straight-line basis commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, separately acquired intangible assets are measured at cost, less accumulated amortisation (where applicable) and any accumulated impairment losses.

IT software development costs

An intangible asset arising from development is recognised when the Group can demonstrate all of the following:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(ii) its intention to complete the intangible asset and use or sell it;
(iii) its ability to use or sell the intangible asset;
(iv) how the intangible asset will generate probable future benefits;
(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in developing IT software are initially recognised as an asset and are subsequently amortised over 5 years on a straight-line basis commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

(k) Other revenue and other income

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

(l) Principles of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-Group balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and the statement of financial position respectively.

(m) Plant and equipment

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

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of plant and equipment is depreciated over their estimated useful lives on a straight-line basis commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset

Plant and equipment:	3 to 10 years

(n) Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(o) Revenue from contracts with customers

The Group derives revenue from the provision of payment solutions for which the Group levies a flat fee plus a percentage of the value of the transaction being processed.

Transaction fee revenue is recognised at a point in time as performance obligations are met when services are provided to the customer, that is, funds are settled to merchants for transactions net of the fees the Group is owed under contract.

The Group levies a flat fee for chargebacks upon receiving notification from its bank that a chargeback claim has been made by a merchant's customer. This fee is reversed if the merchant can prove that the customer's claim is invalid. Where a chargeback is valid, the Group will recover the value of the chargeback transaction itself along with the fee from the merchant.

(p) Equity settled share-based payments

An equity-settled share-based payment transaction is a share-based payment transaction in which the Group:
(i) receives or is to receive goods or services as consideration for its own equity instruments; or

(ii) receives or is to receive goods or services but has no obligation to settle the transaction with the supplier.

The cost recognised is based on the fair value of the goods or services received or to be received by the Group and is recognised over the period the services are provided.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SQID Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.
An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(s) Comparative figures

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures**.**

(t) New or amended Accounting Standards and Interpretations adopted

The Group has applied all new and revised Australian Accounting Standards and Accounting Standards and Interpretations issued by IASB that apply to annual reporting periods beginning on or after 1 January 2020.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment of non-financial assets
All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

(b) Income tax
Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) *Fair value*
Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 10: Other Financial Assets for the details of the fair value measure key assumptions and inputs.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:
- Interest rate risk
- Credit risk
- Liquidity risk
- Price risk
- Foreign currency risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

	31 Dec 2020	31 Dec 2019
Financial assets	**$**	**$**
Amortised cost:		
- Cash and cash equivalents (note 7)	2,998,162	1,678,713
- Receivables (note 9)	285,483	186,741
- Security Bonds (note 8)	186,987	-
- Other financial assets (note 10)	-	1,924,659
	3,470,632	**3,790,113**
Fair value through profit or loss:		
- Other financial assets (note 10)	907,931	-
	907,931	**-**
Total financial assets	**4,378,563**	**3,790,113**
Financial liabilities		
Amortised cost:		
- Payables (note 15)	213,525	1,054,310
- Other liabilities (note 16)	1,093,082	636,751
	1,306,607	**1,691,061**

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its other financial assets. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group does not actively manage interest rate risk.

The following table outlines the Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
31 December 2020	**$**	**$**	**$**	**%**	
(i) Financial assets					
Cash and cash equivalents	2,998,162	-	2,998,162	0.2%	Variable
Receivables	-	285,483	285,483	0.0%	n/a
Security bonds	186,987	-	186,987	0.01%	Variable
Other financial assets	-	907,931	907,931	0.0%	n/a
Total financial assets	3,185,149	1,193,414	4,378,563	0.2%	
(ii) Financial liabilities					
Payables	-	213,525	213,525	n/a	n/a
Other liabilities	-	1,093,082	1,093,082	n/a	n/a
Total financial liabilities	-	1,306,607	1,306,607	n/a	
31 December 2019					
(i) Financial assets					
Cash and cash equivalents	1,678,713	-	1,678,713	0.2%	Variable
Receivables	-	186,741	186,741	0.0%	n/a
Other financial assets	1,924,659	-	1,924,659	3.9%	Variable
Total financial assets	3,603,372	186,741	3,790,113	2.1%	
(ii) Financial liabilities					
Payables	-	1,054,310	1,054,310	n/a	n/a
Other liabilities	-	636,751	636,751	n/a	n/a
Total financial liabilities	-	1,691,061	1,691,061	n/a	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

If interest rates were to increase/decrease by 1 basis point from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact on profit for the year and equity would be as follows:

	12 months ended 31 Dec 2020	**6 months ended 31 Dec 2019**
+/- 1 basis point	**$**	**$**
Impact on profit after tax	1,628	213
Impact on equity	1,180	154

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

The Group is exposed to credit risk to the extent that customers may incur chargeback volumes that exceed the funds to be settled to them, and the Group is subsequently unable to recover these funds.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date of recognised financial assets is the carrying amount of those assets, net of any allowance for credit losses, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group mitigates the risk by evaluating each merchant prior to and during the conduct of their business relationship with the Group. As to their perceived credit risk, and where necessary, a bond (other liabilities) is taken from the merchant. This merchant bond can be adjusted from time to time. The total value of merchant bonds held is $1,093,082 (31 December 2019: $639,751).

During the period ended 31 December 2019, the Group had transactions with 30 merchants controlled by two entities responsible for 86.1 of the total revenue of the Group. At 31 December 2019, these two entities represent approximately 83.6% of the total receivables from contract with customers. These merchants ceased trading with the Group on November 18 2020. Since November 18 2020, one merchant has represented 72% of merchant transaction revenue.

i) Cash and cash equivalents and other financial assets

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks as well as having funds invested with Australia's largest non-bank home loan lender.

For banks and financial institutions, only those with a minimum rating of 'A' are accepted.

ii) Receivables from contracts with customers

Credit risk for receivables from contracts with customers is managed by transacting with as large number of customers as possible, undertaking credit checks for all new customers and setting credit limits for all customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group maintains strong current and quick ratios to ensure the risk of illiquidity is minimal.

The following table outlines the Group's remaining contractual maturities for non-derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Group can be required to pay.

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
31 December 2020	**$**	**$**	**$**	**$**	**$**
Payables	213,525	-	-	213,525	213,525
Other liabilities	-	1,093,082	-	1,093,082	1,093,082
	213,525	1,093,082	-	1,306,607	1,306,607
31 December 2019					
Payables	1,054,310	-	-	1,054,310	1,054,310
Other liabilities	-	636,751	-	636,751	636,751
	1,054,310	636,751	-	1,691,061	1,691,061

(d) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and are classified in the balance sheet as listed and unlisted equities at fair value through profit or loss.
Based on this exposure, had the share prices increased or decreased by 10% the impact on the Group's loss before tax and net assets would have been:

(d) Price risk (continued)

2020	***Increase 10%***		***Decrease 10%***	
	Impact on profit before tax	***Impact on equity***	***Impact on profit before tax***	***Impact on equity***
Listed securities	35,400	35,400	(35,400)	(35,400)
Unlisted securities	55,393	55,393	(55,393)	(55,393)

2019
The Group did not hold any investments that were subject to price risk.

(e) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of financial instruments would fluctuate due to changes in foreign exchange rates. The Group is not exposed to any significant foreign currency risk.

	12 months ended 31 Dec 2020	**6 months ended 31 Dec 2019**
	$	**$**
NOTE 4: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Revenue recognised at a point in time:		
Transaction fees	7,006,750	3,387,382
Chargeback fees	191,930	70,105
	7,198,680	3,457,487
NOTE 5: PROFIT BEFORE INCOME TAX		
Profit before income tax has been determined after the following specific expenses:		
Other income		
ATO cash flow boost	100,000	-
Gain on fair value of financial assets held through profit or loss	265,072	-
R&D tax incentive	12,294	-
	377,366	-
Cost of goods sold	4,319,119	2,048,628
Transaction processing fees	4,319,119	2,048,628
Employee benefits expense		
Wages	496,706	200,725
Superannuation guarantee contributions	40,501	18,421
	537,207	219,146
Depreciation of non-current assets		
Plant and equipment	6,986	5,694
	6,986	5,694
Amortisation of non-current assets		
Intangible assets	51,282	27,178
	51,282	27,178
Impairment losses		
Fixed assets	78	-
Intangible assets	124,035	-
Receivables from contracts with customers	42	80,017
	124,155	80,017

NOTE 5: PROFIT BEFORE INCOME TAX (continued)
As disclosed in Note 1(b), the Group lost a significant portion of customers as a result of them being non-compliant with PCI standards which is expected to have a material impact on the Group's future revenue and earnings. As a result the Group's Software, Patents and Plant & Equipment were written down to their recoverable amounts of nil.

The recoverable amount of Group's Software, Patents and Plant & Equipment was determined by reference to their value in use. The Group used its most recent approved cashflow forecast for 2021 as the base year in a 5-year forecast and adopted a discount rate of 0.1% for the value in use calculation, resulting in the assets being valued at nil. The impairment loss is included as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

	31 Dec 2020	31 Dec 2019
	$	**$**
NOTE 6: INCOME TAX		
(a) Components of tax expense/(benefit):		
Deferred tax	462,382	53,176
Recognition of deferred tax assets of prior periods	-	(55,937)
	462,382	(2,761)
(b) Income tax reconciliation		
The prima facie tax payable on profit before income tax at 27.5% (31 December 2019: 27.5%) is as follows:		
Income tax expense attributable to profit	147,067	53,176
Tax effect of:		
- ATO cash flow boost	(27,500)	-
- (Recognition) / derecognition of deferred tax assets of prior periods	330,264	-
- Non-deductible expenses	12,551	-
- Recognition of deferred tax assets of prior periods	-	(55,937)
	462,382	(2,761)
(c) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	-	448,298
Listing costs	127,112	115,046
Accrued expenses	11,568	10,424
Employee benefits	23,402	11,703
	196,212	585,471
Deferred tax liabilities		
The balance comprises:		
Prepayments	1,875	1,646
Investments	72,895	
	74,770	1,646
Net deferred tax assets	121,442	583,825

A deferred tax asset has not been recognised for unused tax losses amounting to $1,200,960 (tax effected $330,264).

NOTE 6: INCOME TAX (continued)

	31 Dec 2020	31 Dec 2019
	$	$
(d) Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase/(decrease) in deferred tax assets	(389,259)	816
Decrease/(increase) in deferred tax liabilities	(73,124)	1,945
	(462,383)	2,761

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2,998,162	1,678,713
	2,998,162	1,678,713
Cash at bank includes the following balances held on behalf of merchants		
Merchant float (refer note 15)	34,433	512,392
Merchant bonds (refer note 16)	1,093,082	636,751
	1,127,515	1,149,143

NOTE 8: SECURITY BONDS

CURRENT		
Westpac Banking Corporation	186,987	186,874
	186,987	186,874
NON-CURRENT		
Merchant Warrior	50,000	50,000
	50,000	50,000

NOTE 9: RECEIVABLES

CURRENT		
Receivables from contracts with customers	155,507	174,241
Other receivables	129,976	12,500
	285,483	186,741

Receivables from contracts with customers represent the Group's unconditional right to consideration arising from the transfer of goods or services to the customer. In the vast majority of instances, transactions fees are paid for during the process of settling funds to merchants.

Cash bonds are secured from merchants as collateral for their accounts, refer note 16. All receivable from contracts with customers can be recovered by drawing down on a merchant's bond as and if required.

Impairment of receivables from contracts with customers and other receivables

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

NOTE 9: RECEIVABLES (continued)

The Group determines expected credit losses using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset.

The following table provides information about the risk profile of receivables from contracts with customers using a provision matrix. The information in the below table does not distinguish between customer or product types as the Group's historical credit loss experience does not show different patterns for different customer or product types.

Credit risk profile of receivables from contracts with customers

	Not past due	Days past due				
		< 30	30 - 90	90 – 180	> 180	Total
31 December 2020	$	$	$	$	$	$
Estimated total gross carrying amount at default	127,626	105,938	39,829	-	12,090[1]	285,483
Expected credit loss rate	0%	0%	0%	0%	0%	
Expected credit loss	-	-	-	-	-	-
31 December 2019						
Estimated total gross carrying amount at default	138,111	-	204	342	48,084	186,741
Expected credit loss rate	0%	0%	0%	0%	0%	
Expected credit loss	-	-	-	-	-	-

[1] Loan to merchant secured under PPSR regime.

Collateral held as security

Bonds are taken from merchants as security given the risk profile of the merchants. These are offset against receivables as required.

Receivables written off during the year

Receivables written off during the year relates to chargebacks not recovered from merchants. The Group recovers the value of chargebacks by reducing settlements to merchants in the first instance, and via reducing the merchant's bond in the second instance. Where chargebacks haven't been recovered after six months, and a merchant has been inactive for all of this time, the funds are written off.

The contractual amount outstanding on receivables that were written off during the year is $42.
(6-month period ended 31 December 2019: $80,017).

NOTE 10: OTHER FINANCIAL ASSETS

CURRENT		
Financial assets held at amortised cost:		
Units in residential mortgage fund [1]	-	1,924,659
Financial assets at fair value through profit or loss:		
Shares listed securities [2]	304,000	-
Options in listed securities [2]	50,000	-
	354,000	1,924,659

NOTE 10: OTHER FINANCIAL ASSETS (continued)

NON-CURRENT

Financial assets at fair value through profit or loss:

Shares in unlisted securities (3)	402,859	-
Warrants in unlisted securities (3)	151,072	-
	553,931	-

(1) These residential mortgage fund investments were acquired by the Group principally for the purpose of investment of excess cash. Distribution statements were received monthly detailing the value of the investment and interest earned. These investments were held by the Group in a business model whose objective is collecting contractual cash flows that are solely payments of principal and interest. Accordingly, these investments are classified (and measured) at amortised cost. The investments were redeemed progressively during the first half of 2020 and fully redeemed in June 2020.

(2) The Group invested $240,000 in Cirralto Ltd on 7 December 2020. As part of this transaction, the Group received 1 free listed option for every 4 placement shares. These listed options have an exercise of $0.025 and will expire on 28 July 2023. The Group sold the shares in January 2021 for $570,897 realising a profit of $330,897. The options continue to be held by the Group.

(3) The Group invested $CAD380,000 in Vello Technologies Pty Ltd on 2 October 2020. The investment includes warrants which are valued at $CAD142,500 as at 31 December 2020.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Year ended 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss				
Listed securities	354,000	-	-	354,000
Unlisted securities (i)			553,931	553,931
Total financial assets	354,000	-	553,931	907,931

(i) Investments in unlisted securities valued at fair value and classified as Level 3 within the fair value hierarchy. The directors have considered the available information regarding these investments and believe it is currently appropriate to recognise a fair value of $553,931 (2019: nil) based on the consideration paid on acquisition.

6 month period ended 31 December 2019

The Group did not hold any assets that were measured at fair value during the 6 month period ended 31 December 2019.

There were no transfers between levels during the financial year.

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

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

NOTE 11: FAIR VALUE MEASUREMENTS (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

	31 Dec 2020	31 Dec 2019
	$	$
NOTE 12: OTHER CURRENT ASSETS		
Prepayments	52,192	5,987
	52,192	5,987
NOTE 13: PLANT AND EQUIPMENT		
Plant & equipment		
At cost	17,135	11,170
Accumulated depreciation	(17,057)	(10,071)
Accumulated impairment loss	(78)	-
	-	1,099
Reconciliation		
Carrying amount at beginning of the period	1,099	1,654
Additions	5,965	5,139
Depreciation	(6,986)	(5,694)
Impairment	(78)	-
Carrying amount end of the period	-	1,099
NOTE 14: INTANGIBLE ASSETS		
Patents		
At cost	153,393	153,393
Accumulated amortisation	(102,137)	(94,527)
Accumulated impairment loss	(51,256)	-
	-	58,866
Reconciliation		
Carrying amount at beginning of the period	58,866	62,671
Amortisation	(7,610)	(3,805)
Impairment	(51,256)	-
Carrying amount end of the period	-	58,866

NOTE 14: INTANGIBLE ASSETS (continued)

Capitalised Software Development		
At cost	233,733	233,733
Accumulated amortisation	(160,954)	(117,281)
Accumulated impairment loss	(72,779)	-
	-	116,452
Reconciliation		
Carrying amount at beginning of the period	116,452	139,825
Additions	-	-
Amortisation	(43,673)	(23,373)
Impairment	(72,779)	-
Carrying amount end of period	-	116,452
Total intangible assets	-	175,318

The impairment loss relates to the loss of customers – refer to note 5 for details. The impairment expense was recognised as a separate line item in the statement of consolidated profit or loss and other comprehensive income.

	31 Dec 2020 $	31 Dec 2019 $
NOTE 15: PAYABLES		
Trade payables	93,018	86,539
Merchant floats	34,433	512,392
Accrued transaction processing fees	30,491	375,029
Other payables	55,583	80,350
	213,525	1,054,310
NOTE 16: OTHER LIABILITIES		
Merchant Bonds	663,420	636,751
Withheld GST(1)	429,662	-
	1,093,082	636,751

(1) During May – November 2020, the Group deducted $429,662 of GST from merchants who were deemed export customers by the Australian Taxation Office. These merchants have ceased trading with the Group effective November 2020. The funds were added to the merchants bond balance. The GST was withheld as extra security against possible chargebacks.

NOTE 17: PROVISIONS		
CURRENT		
Employee benefits	69,686	42,558
	69,686	42,558
NON-CURRENT		
Employee benefits	15,413	-
	15,413	-

NOTE 18: SHARE CAPITAL

	31 Dec 2020	31 Dec 2019
	$	$
(a) Issued and paid up capital		
Ordinary shares	6,855,020	6,822,170

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue	Parent Equity 31 Dec 2020		Parent Equity 31 Dec 2019	
	No of Shares	$	No of Shares	$
Beginning of the financial year	7,863,956	6,822,170	16,475,298	6,544,627
Shares issued for advisory services at $0.006[1]	-	-		-
2:1 share consolidation[1]	-	-	(8,237,622)	-
Share buyback[2]	-	-	(1,350,000)	(15,341)
Share issue[3] [4]	109,500	32,850	976,280	292,884
End of the financial year	7,973,456	6,855,020	7,863,956	6,822,170

(1) On 5 September 2019, shareholders approved a share consolidation, converting every two ordinary shares into one new ordinary share. As a result of the share consolidation the number of shares issued reduced from 16,475,298 to 8,237,676.

(2) On 13 December 2019, shareholders approved a resolution to buy-back and cancellation of 1,350,000 consolidated shares issued at $0.012 issued to corporate advisors in lieu of payment for services relating to the listing of SQID on the Canadian Stock Exchange. Pursuant to agreements dated June 2019, the shares were initially issued to corporate advisors for expected future services and were cancellable under certain circumstances. The agreements were cancelled on 31 October and 1 November 2019 and the advisors formally agreed that all shares issued were to be bought back and cancelled at the original subscription price. The shares were replaced by invoices for services provided from 1 October 2018 to 31 October 2019 with the costs recognized as "Listing expenses".

(3) The following list and advisory costs were settled by the issue of ordinary shares as follows.

Entity	Shares at $0.30	Total value $
Tripoint Global Equities LLC	139,917	41,975
First Growth Funds Limited	151,515	45,455
Shape Capital Pty Ltd	684,848	205,454
Total	**976,280**	**292,884**

(4) On 12 February 2020 & 8 May 2020, a total of 109,500 shares were issued to Tripoint Global Equities LLC at AUD$0.30 for advisory fees.

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(d) Capital management

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

During 2020, the Group has not paid any dividends.

	31 Dec 2020	31 Dec 2019
	$	$
NOTE 19: SHARE-BASED PAYMENTS		
Options issued	45,639	-

The below table summarizes the options issued during the year. The options are exercisable immediately on grant date.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year	Fair value at valuation date
13/08/2020	12/08/2021	CAD $0.80	-	100,000	-	-	100,000	AUD$0.22
13/08/2020	12/08/2021	CAD $0.80	-	100,000	-	-	100,000	AUD$0.22
			-	200,000	-	-	200,000	

Fair value of options issued during the period were determined using a Black-Scholes option pricing model. The following inputs were utilised:

Grant date	Expiry date	Share price at Grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate
13/08/2020	12/08/2021	$0.80	$0.80	153%	0.00%	0.34%

	31 Dec 2020	31 Dec 2019
	$	$
NOTE 20: ACCUMULATED LOSSES		
Balance at beginning of year	(3,762,573)	(3,958,702)
Net profit attributable to members of the Group	72,407	196,129
Balance at end of year	(3,690,166)	(3,762,573)

NOTE 21: INTERESTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of SQID Technologies Limited and its controlled entities listed below:

	Country of incorporation	Percentage owned	
		31 Dec 2020	31 Dec 2019
Parent Entity:			
SQID Technologies Limited	Australia		
Controlled entities of Parent Entity			
SQID Payments Pty Ltd	Australia	100%	100%
EFT Managed Services Pty Ltd	Australia	100%	100%
SQID Payments USA LLC (1)	U.S.A	100%	-
SQID Payments NZ Limited (2)	New Zealand	100%	-

(1) SQID Payments USA LLC was incorporated 25 September 2020.

(2) SQID Payments NZ Limited was incorporated 25 November 2020

NOTE 22: CASH FLOW INFORMATION

	12 months ended 31 Dec 2020 $	6 months ended 31 Dec 2019 $
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	72,407	196,129
Non-Cash Items		
Amortisation	51,283	27,178
Depreciation	6,986	5,694
Receivables written off	42	80,017
Merchant debt expense	41,630	-
Advisor costs settled in shares	32,850	292,884
Options expense	45,639	-
Impairment expense	124,155	-
Gain on fair value of financial assets held through profit or loss	(265,072)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(98,786)	(72,647)
(Increase)/decrease in prepayments	(46,205)	39,755
(Increase)/decrease in security bonds	(113)	(50,136)
(Increase)/decrease in deferred taxes	462,383	(2,761)
(Decrease)/increase in payables	(882,457)	68,064
(Decrease)/increase in other liabilities	456,331	(2,464)
(Decrease)/increase in provisions	42,541	4,643
Net cash flow from operating activities	43,614	586,356

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

– Cash at bank and on hand	2,998,162	1,678,713
Closing cash balance	2,998,162	1,678,713

(c) Non-cash investing and financing activities

Shares issued to suppliers for services rendered	32,850	292,884
	32,850	292,884

	31 Dec 2020	31 Dec 2019
	$	$

NOTE 23: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share:		
Profit from operations	72,407	196,129
Profit used in calculating basic and diluted earnings per share	72,407	196,129
	No of Shares	**No of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	7,947,876	8,211,272
Weighted average number of options over ordinary shares	77,049	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	8,024,925	8,211,272
Basic earnings per share	0.009	0.024
Basic diluted earnings per share	0.009	0.024

The weighted average number of ordinary shares as at 31 December 2020 have been adjusted to reflect the impact of the share consolidation as disclosed in Note 18.

NOTE 24: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Short-term benefits	680,545	312,574
	680,545	312,574
Amounts payable to entities controlled by key management personnel	59,885	54,979
	59,885	54,979

NOTE 25: RELATED PARTY DISCLOSURES

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the period ended 31 December 2019 and year ended 31 December 2020. The following table provides the total amount of transactions with related parties for the period 31 December 2020 and year ended 31 December 2020.

NOTE 25: RELATED PARTY DISCLOSURES (continued)

	Transaction	Amount ($)		Payables ($)	
		31.12.20	**31.12.19**	**31.12.20**	**31.12.19**
Sigrist Design Pty Ltd (1)	Other Expenses	7,500	15,000	-	2,750
First Growth Funds Limited (2)	Listing expenses	-	45,455	-	-
Shape Capital Pty Ltd (3)	Listing expenses	-	205,454	-	-
John O'Connor (4)	Consulting fees	107,500	-	-	-
Shape Capital Pty Ltd (5)	Consulting fees	90,000	-	11,000	-

(1) Director Peter Hall has a beneficial interest in Sigrist Design Pty Ltd which rents out office space as well as being the registered office for the Group. This arrangement commenced January 2019 and ceased March 2020.

(2) First Growth Funds Limited issued an invoice dated 1 November 2019 for $45,455 for advisory services provided from December 2018 to October 31, 2019 related to the listing of the Company on the Canadian Stock Exchange (CSE). Services included in the invoice were due diligence review of operations, financial analysis, benchmark analysis and market sounding activity. The above amount represents costs incurred for the year ended 31 December 2020 and for the period ended 31 December 2020. First Growth Funds Limited is a major shareholder in the Company, holding 14.64% of shares as at the date of this report.

(3) Shape Capital Pty Ltd. issued an invoice dated 1 November 2019 for $205,454 for advisory services provided from November 2018 to 31st October 2019 related to the listing of the Company on the CSE. Services included in the invoice were analysis and due diligence review of the Company's business model, operations, agreements, risk assessment, investor criteria, listing options, going public process and public exchange options and listing criteria. The above amount represents costs incurred for the year ended 31 December 2020 and for the period ended 31 December 2020. A director and the owner of Shape Capital Pty Ltd, Anoosh Manzoori, is also the CEO of First Growth Funds Limited.

(4) John O'Connor was contracted by the board to liaise and assist the board with revenue, technology, staffing matters, KPI development, revenue targets, and financial analysis. This contract ran from February to November 2020.

(5) Shape Capital Pty Ltd was contracted by the board for corporate advisory services commencing April 2020.

NOTE 26: AUDITOR'S REMUNERATION

	12 months ended 31 Dec 2020 $	6 months ended 31 Dec 2019 $
Amounts paid and payable to Pitcher Partners Brisbane for:		
(i)Audit and other assurance services		
An audit or review of the financial report of the parent entity and any other entity in the Group	51,000	35,000
Total remuneration of Pitcher Partners Brisbane	51,000	35,000

NOTE 27: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, SQID Technologies Limited, is shown below:

(a) Summarised statement of financial position	**31 Dec 2020**	**31 Dec 2019**
Assets	**$**	**$**
Current assets	377,886	83,765
Non-current assets	675,378	642,695
Total assets	1,053,264	726,460
Liabilities		
Current liabilities	1,430,790	82,585
Total liabilities	1,430,790	82,585
Net assets	(377,526)	643,875
Equity		
Share capital	6,855,020	6,822,170
Accumulated losses	(7,278,185)	(6,178,295)
Options reserves	45,639	-
Total equity	(588,520)	643,875

(b) Summarised Statement of Profit or Loss and Other Comprehensive Income	**12 months ended 31 Dec 2020 $**	**6 months ended 31 Dec 2019 $**
Loss for the year	(1,099,891)	360,130
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(1,099,891)	360,130

(c) Parent entity information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the following.

SQID Technologies Limited and its wholly owned subsidiaries have formed a tax-consolidated Group as entities have joined the Group; SQID Payments Pty Ltd in 2013 and then EFT Managed Services Pty in 2014.

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

SQID Technologies Limited did not provide any guarantees to any of its subsidiaries as at 31 December 2020.

NOTE 28: SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves the processing of credit card transactions for e-commerce merchants. All of the Group's activities are inter-related and discrete financial information is reported to the Board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statement of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these consolidated financial statements.

NOTE 29: SUBSEQUENT EVENTS

1. On 8 January 2021, Lee Horobin resigned as Chief Financial Officer & Joint Company Secretary. He will work up until 7 July 2021 as required.
2. On 14 January 2021, Robyn Gunnis resigned as Chief Operating Officer. She will work up until 13 July 2021 as required.
3. On 27 January 2021, half (4,000,000) of the shares in Cirralto were sold resulting in proceeds of $287,182 and a profit on sale of $168,133.
4. On 28 January 2021, half (4,000,000) of the shares in Cirralto were sold resulting in proceeds of $281,831 and a profit on sale of $162,764.
5. On 1 February 2021 the Group invested $AUD2.15m for 50% of the ordinary shares in ICON Esports Pty Ltd (ICON). ICON runs The Chiefs Esports platform, a premier Electronic Sports club in Australia, featuring top teams in various competitive video games. The stake represents 50% of the voting rights in ICON. The Group also has 2 seats on the 3-seat board in Athan Lekkas and Michael Clarke. The acquisition was made with a view to providing the Group with transaction revenue from ICON's trading activities.
   The acquisition was made with cash, and the Group anticipates earning transaction revenue from ICON via its payments platform.
   The assets and liabilities recognised as a result of the acquisition are as follows. These are preliminary figures to be finalised in due course.

Cash	44,847
Other Current Assets	613,467
ATO Liabilities	(83,310)
Employee Liabilities	(125,142)
Loans	(263,816)
Other Identified Intangibles	1,178,230
Net Identifiable Assets Acquired	1,364,276
Less: Non-Controlling Interests	(682,138)
Add: Goodwill	1,467,862
Net Assets Acquired	2,150,000

   The goodwill will not be deductible for tax purposes.
6. On 16 February 2021, the Group resolved to not pursue D&O insurance renewal until June 2021.
7. On 2 March 2021, John O'Connor resigned from the board.

There are no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS DECLARATION

In the directors' opinion:

a) The financial statements and notes thereto 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 consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and

b) the financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements, and

c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors

Athan Lekkas – Director

Melbourne
13 April 2021

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Brisbane, QLD 4000

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Independent Auditor's Report to the Members of SQID Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SQID Technologies Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 1(b) "Going Concern" in the Financial Report. The conditions disclosed in note 1(b) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amount stated in the Financial Report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of financial assets Refer to note 11	
The Group invests in various financial instruments exposing it to a number of financial risks, including market risk and liquidity risk. As at 31 December 2020 financial assets totalled $907,931 and included listed and unlisted securities at fair value through profit or loss. Financial assets at fair value through profit or loss are classified according to the fair value hierarchy within AASB 13 *Fair Value Measurement* as follows: • Level 1 (i.e. inputs are quoted prices in active markets for identical assets); • Level 2 (i.e. inputs other than quoted prices included within level 1 that are observable, either directly or indirectly); or • Level 3 (i.e. inputs are unobservable). This is assessed as a key audit matter due to: • The significance of the balance, representing 19.7% of total assets; • The significant judgements and assumptions required for inputs used in the valuation of level 2 and level 3 assets; and • Complexity associated with the accounting for these financial assets.	Our audit procedures included, amongst others: • Obtaining an understanding of the relevant controls associated with the acquisition and accurate measurement of financial assets; • Agreeing the valuation of listed securities to their quoted market value at the reporting date; • Recalculating the fair value gain or loss recognised in the profit or loss arising from the mark to market adjustments at the reporting date; • Assessing the reasonableness of valuation methodologies applied, integrity of the valuation models used and accuracy of the underlying data; and • Assessing the adequacy of the disclosure in the financial report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of assets Refer to note 5 and note 14	
AASB 136 *Impairment of Assets* requires the Group to undertake an impairment assessment for all assets where indicators of impairment are present. Impairment testing of the Group's assets is a key audit matter due to: • the recent loss of a significant portion of the Group's customer base that brings uncertainty to the Group's ability to generate required revenue growth and produce sustainable operating cashflows; and • the use of key estimates and judgements in the value-in-use calculation.	Our procedures included, amongst others: • Obtaining an understanding of the controls over the valuation of non-current assets, and evaluating the design and implementation of those controls; • Checking the mathematical accuracy of the Board approved FY21 cash flow forecasts and methodology of the impairment model; • Confirming consistency of the impairment testing calculations and inputs applied by the Group with the requirements of AASB 136; • Assessing the key assumptions within the impairment testing calculations including forecast cash flows, growth rates, discount rates and terminal values; • Applying our knowledge of the business and corroborated our work with external information where possible; • Performing sensitivity analysis in respect of the key assumptions and assessing the potential impact of reasonably possible changes to those assumptions; and • Assessing the adequacy of disclosures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Directors' Report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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.

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
13 April 2021