

# **SQID Technologies Limited**

**ABN 44 121 655 472**

## **Interim Consolidated Financial Statements for the six months ended June 30 2021 and June 30 2020**

These financial statements are unaudited.

For Australian reporting purposes, the Consolidated Financial Statements for the six months ended 30 June 2021 will be subject to audit review. The Company will issue these financial statements when available.

### General information

The financial statements cover SQID Technologies Limited as a Group consisting of SQID Technologies Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is SQID Technologies Limited's functional and presentation currency.

SQID Technologies Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 14  
440 Collins Street  
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2021.

**SQID Technologies Limited**  
**Corporate directory**  
**30 June 2021**

Directors	Andrew Sterling John O'Connor Michael Clarke Athanasios Lekkas
Company secretary	Mark Pryn
Registered office	Level 14 440 Collins Street Melbourne VIC 3000
Principal place of business	Level 14 440 Collins Street Melbourne VIC 3000
Auditor	Pitcher Partners Level 13 664 Collins Street Docklands VIC 3001
Website	<a href="http://sqidtechnologies.com.au">sqidtechnologies.com.au</a>

**SQID Technologies Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2021**

	Note	Consolidated 30 Jun 21 \$	31 Dec 20 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	2,181,923	2,998,162
Receivables	4	551,985	285,483
Other financial assets	5	-	354,000
Security deposits	6	239,441	186,987
Other current assets		-	52,193
<b>Total current assets</b>		<u>2,973,349</u>	<u>3,876,825</u>
<b>Non-current assets</b>			
Other financial assets	7	45,238	553,931
Intangibles	8	2,122,786	-
Deferred tax assets		-	121,442
Security deposits	6	-	50,000
<b>Total non-current assets</b>		<u>2,168,024</u>	<u>725,373</u>
<b>Total assets</b>		<u>5,141,373</u>	<u>4,602,198</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	352,180	213,525
Unearned income		202,500	-
Employee provisions		51,658	69,685
Other liabilities	10	1,094,061	1,093,082
<b>Total current liabilities</b>		<u>1,700,399</u>	<u>1,376,292</u>
<b>Non-current liabilities</b>			
Employee provisions		14,061	15,413
<b>Total non-current liabilities</b>		<u>14,061</u>	<u>15,413</u>
<b>Total liabilities</b>		<u>1,714,460</u>	<u>1,391,705</u>
<b>Net assets</b>		<u>3,426,913</u>	<u>3,210,493</u>
<b>Equity</b>			
Issued capital	11	6,855,020	6,855,020
Reserves		45,639	45,639
Accumulated losses		(5,101,780)	(3,690,166)
Equity attributable to the owners of SQID Technologies Limited		1,798,879	3,210,493
Non-controlling interest		1,628,034	-
<b>Total equity</b>		<u>3,426,913</u>	<u>3,210,493</u>

Approved on behalf of the Board

"Athanasios Lekkas"  
CEO and Director

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**SQID Technologies Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the period ended 30 June 2021**

	Note	Consolidated 6 months ended 30 Jun 21 \$	6 months ended 30 Jun 20 \$
<b>Revenue</b>			
Revenue from contracts with customers		456,546	3,937,779
Direct costs		<u>(659,226)</u>	<u>(2,373,355)</u>
Gross profit		<u>(202,680)</u>	<u>1,564,424</u>
Fair value losses on financial assets (investments)		(171,800)	-
Government assistance (COVID-19)		12,000	28,589
Interest income		14	22,319
Total revenue		<u>296,760</u>	<u>3,988,687</u>
<b>Expenses</b>			
Professional fees		(243,571)	(414,420)
Employee benefits expense		(271,771)	(280,855)
Non executive director fees		(46,667)	(63,333)
Depreciation and amortisation		(209,383)	(32,162)
Other expenses		(45,519)	(77,985)
Marketing		(20,370)	-
Consultancy fees		(263,669)	(286,681)
Listing expenses		(26,350)	(51,446)
IT and hosting costs		(159,876)	(52,177)
Loss on investment redemption		-	(39,690)
Total expenses		<u>(1,287,176)</u>	<u>(1,298,749)</u>
<b>Profit/(loss) before income tax expense</b>		(1,649,642)	316,583
Income tax expense		<u>(121,442)</u>	<u>(79,200)</u>
<b>Profit/(loss) after income tax expense for the period</b>		(1,771,084)	237,383
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the period</b>		<u>(1,771,084)</u>	<u>237,383</u>
Profit/(loss) for the period is attributable to:			
Non-controlling interest		(359,470)	-
Owners of SQID Technologies Limited		<u>(1,411,614)</u>	<u>237,383</u>
		<u>(1,771,084)</u>	<u>237,383</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(359,470)	-
Owners of SQID Technologies Limited		<u>(1,411,614)</u>	<u>237,383</u>
		<u>(1,771,084)</u>	<u>237,383</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share for profit/(loss)	14	(17.70)	2.98
Diluted earnings per share for profit/(loss)	14	(17.70)	2.98

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**SQID Technologies Limited**  
**Consolidated statement of changes in equity**  
**For the period ended 30 June 2021**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 January 2020	6,822,170	-	(3,762,573)	-	3,059,597
Profit after income tax expense for the period	-	-	237,383	-	237,383
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	237,383	-	237,383
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	32,850	-	-	-	32,850
Balance at 30 June 2020	<u>6,855,020</u>	<u>-</u>	<u>(3,525,190)</u>	<u>-</u>	<u>3,329,830</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 January 2021	6,855,020	45,639	(3,690,166)	-	3,210,493
Loss after income tax expense for the period	-	-	(1,411,614)	(359,470)	(1,771,084)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	(1,411,614)	(359,470)	(1,771,084)
Non-controlling interests	-	-	-	1,987,504	1,987,504
Balance at 30 June 2021	<u>6,855,020</u>	<u>45,639</u>	<u>(5,101,780)</u>	<u>1,628,034</u>	<u>3,426,913</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**SQID Technologies Limited**  
**Consolidated statement of cash flows**  
**For the period ended 30 June 2021**

	<b>Note</b>	<b>Consolidated 6 months ended 30 Jun 21 \$</b>	<b>6 months ended 30 Jun 20 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		433,992	4,353,445
Payments to suppliers and employees		<u>(1,775,477)</u>	<u>(3,897,411)</u>
Interest received		(1,341,485) 14	456,034 <u>22,319</u>
Net cash from/(used in) operating activities		<u>(1,341,471)</u>	<u>478,353</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(5,965)
Proceeds from investments		690,893	-
Redemption of investments		<u>-</u>	<u>1,924,659</u>
Net cash from investing activities		<u>690,893</u>	<u>1,918,694</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		<u>(217,572)</u>	<u>-</u>
Net cash used in financing activities		<u>(217,572)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(868,150)	2,397,047
Cash and cash equivalents at the beginning of the financial period		2,998,162	1,678,713
Cash acquired from business combination	12	<u>51,911</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period		<u><u>2,181,923</u></u>	<u><u>4,075,760</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

### **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020.

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

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

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

#### **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. During the period, 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
- 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.

### **Note 2. Operating segments**

For management purposes, the group is organised into three operating segments; payment solutions, esports and gaming and corporate asset management. The Group segments operate independently and discrete segmented financial information is reported to the Board. All significant operating decisions are based upon segmented analysis of the Group.

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 condensed interim consolidated financial statements.

**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 2. Operating segments (continued)**

*Operating segment information*

	Payment Solutions \$	Esports and Gaming \$	Corporate asset management \$	Total \$
<b>Consolidated - 6 months ended 30 Jun 21</b>				
<b>Revenue</b>				
Sales to external customers	211,815	244,731	-	456,546
Government assistance (COVID-19)	12,000	-	-	12,000
Fair value losses on financial assets	-	-	(171,800)	(171,800)
Interest revenue	14	-	-	14
<b>Total revenue</b>	<b>223,829</b>	<b>244,731</b>	<b>(171,800)</b>	<b>296,760</b>
<b>EBITDA</b>	<b>(521,211)</b>	<b>(509,557)</b>	<b>(409,491)</b>	<b>(1,440,259)</b>
Depreciation and amortisation	-	(209,383)	-	(209,383)
<b>Loss before income tax expense</b>	<b>(521,211)</b>	<b>(718,940)</b>	<b>(409,491)</b>	<b>(1,649,642)</b>
Income tax expense				(121,442)
<b>Loss after income tax expense</b>				<b>(1,771,084)</b>
<b>Assets</b>				
Segment assets	1,113,781	3,904,921	122,671	5,141,373
<b>Total assets</b>				<b>5,141,373</b>
<b>Liabilities</b>				
Segment liabilities	1,165,327	486,358	62,775	1,714,460
<b>Total liabilities</b>				<b>1,714,460</b>
	Payment Solutions \$	Corporate asset management \$	Total \$	
<b>Consolidated - 6 months ended 30 Jun 20</b>				
<b>Revenue</b>				
Sales to external customers	3,937,779	-	3,937,779	
Government assistance (COVID-19)	28,589	-	28,589	
Interest revenue	22,319	-	22,319	
<b>Total revenue</b>	<b>3,988,687</b>	<b>-</b>	<b>3,988,687</b>	
<b>EBITDA</b>	<b>779,877</b>	<b>(431,132)</b>	<b>348,745</b>	
Depreciation and amortisation	(28,357)	(3,805)	(32,162)	
<b>Profit/(loss) before income tax expense</b>	<b>751,520</b>	<b>(434,937)</b>	<b>316,583</b>	
Income tax expense			(79,200)	
<b>Profit after income tax expense</b>			<b>237,383</b>	
<b>Consolidated - 31 Dec 20</b>				
<b>Assets</b>				
Segment assets	3,548,939	1,053,259	4,602,198	
<b>Total assets</b>			<b>4,602,198</b>	
<b>Liabilities</b>				
Segment liabilities	1,320,126	71,579	1,391,705	
<b>Total liabilities</b>			<b>1,391,705</b>	



**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 3. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Cash at bank and on hand	2,181,923	2,998,162
	<u>2,181,923</u>	<u>2,998,162</u>

**Note 4. Receivables**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Receivables from contracts with customers	508,120	155,507
Other receivables	43,865	129,976
	<u>551,985</u>	<u>285,483</u>

**Note 5. Other financial assets**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Shares listed securities *	-	304,000
Options in listed securities *	-	50,000
	<u>-</u>	<u>354,000</u>

**Note 6. Security deposits**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Payment processing security deposits	236,630	186,987
Other	2,811	-
	<u>239,441</u>	<u>186,987</u>
<i>Non-current assets</i>		
Payment processing security deposits	-	50,000
	<u>239,441</u>	<u>236,987</u>

**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 7. Other financial assets**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Shares in unlisted securities *	45,238	402,859
Warrants in unlisted securities *	-	151,072
	<u>45,238</u>	<u>553,931</u>

\* The Group invested \$A402,859 (\$CAD380,000) in Vello Technologies Inc ('Vello') on 2 October 2020. The Vello shares and warrants were subsequently written down to A\$45,238 (\$CAD42,091)

**Note 8. Intangibles**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Goodwill - at cost	1,770,439	-
Patents - at cost	153,393	153,393
Less: Accumulated amortisation	(102,136)	(102,136)
Less: Impairment	(51,257)	(51,257)
	<u>-</u>	<u>-</u>
Capitalised software development - at cost	233,732	233,732
Less: Accumulated amortisation	(160,953)	(160,953)
Less: Impairment	(72,779)	(72,779)
	<u>-</u>	<u>-</u>
Sponsorship and membership contracts	561,730	-
Less: Accumulated amortisation	(209,383)	-
	<u>352,347</u>	<u>-</u>
	<u>2,122,786</u>	<u>-</u>

Upon acquisition of the Group's 50% controlling interest in ICON Esports Pty Ltd sponsorship and membership contract balances totalling \$561,730 were recognised as identifiable intangibles and the goodwill balance of \$1,770,439 represents residual unidentifiable intangibles included in the purchase consideration.

The prior year impairment of patents and capitalised software development costs was recognised as a separate expense line item in the statement of consolidated profit or loss and other comprehensive income in the audited financial statements for the year ended December 31 2020.

**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 9. Trade and other payables**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Trade payables	103,405	93,018
Merchant floats	-	34,433
Accrued transaction processing fees	1,147	30,491
Other payables	247,628	55,583
	<u>352,180</u>	<u>213,525</u>

**Note 10. Other liabilities**

	<b>Consolidated</b>	
	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Merchant bonds	664,399	663,420
Additional withholdings *	429,662	429,662
	<u>1,094,061</u>	<u>1,093,082</u>

\* The additional withholdings are held as security against possible chargebacks. Effective November 2020, these merchants ceased trading with the Group.

**Note 11. Issued capital**

	<b>Consolidated</b>			
	<b>30 Jun 21</b>	<b>31 Dec 20</b>	<b>30 Jun 21</b>	<b>31 Dec 20</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>7,973,456</u>	<u>7,973,456</u>	<u>6,855,020</u>	<u>6,855,020</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 12. Business combinations**

On 1 February 2021 the Group subscribed to 2.150m new shares issued by ICON Esports Pty Ltd (ICON) which represented 50% of the total ICON shares on issue. The Group paid ICON a cash consideration of \$2.150m. The Group has a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors.

Preliminary details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	51,911
Other current assets	9,775
Employee benefits	(125,142)
ATO Liabilities	(83,310)
Loans	(217,572)
Less non-controlling interests	<u>182,169</u>
Net liabilities acquired	(182,169)
Identifiable intangibles (Customer contracts) \$561,730 and Goodwill \$1,770,429	<u>2,332,169</u>
Cash consideration paid by the parent entity to ICON at acquisition date	<u><u>2,150,000</u></u>

**Note 13. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>30 Jun 21 %</b>	<b>31 Dec 20 %</b>
SQID Payments Pty Ltd	Australia	100%	100%
EFT Managed Services Pty Ltd	Australia	100%	100%
SQID Payments USA LLC	U.S.A	100%	100%
SQID Payments NZ Limited	New Zealand	100%	100%
ICON Esports Pty Ltd	Australia	50%	-
Tainted Minds E-Sports Pty Ltd	Australia	50%	-
The Chiefs Esports Pty Ltd	Australia	50%	-

**Note 14. Earnings per share**

	<b>Consolidated</b>	
	<b>6 months ended 30 Jun 21 \$</b>	<b>6 months ended 30 Jun 20 \$</b>
Profit/(loss) after income tax	(1,771,084)	237,383
Non-controlling interest	359,470	-
Profit/(loss) after income tax attributable to the owners of SQID Technologies Limited	<u>(1,411,614)</u>	<u>237,383</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share for profit/(loss)	(17.70)	2.98
Diluted earnings per share for profit/(loss)	(17.70)	2.98

**SQID Technologies Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 14. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>7,973,456</u>	<u>7,973,456</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>7,973,456</u></u>	<u><u>7,973,456</u></u>

**Note 15. Events after the reporting period**

On July 7, 2021 – SQID Technologies Limited (CSE: SQID) announced that Company Secretary, Mr Mark Pryn had replaced Mr Lee Horobin as Chief Financial Officer effective July 7, 2021. Mr Pryn is now Company Secretary and Chief Financial Officer.

On 13 July 2021 Vello Technologies Inc (an investee company) agreed to unwind a share swap agreement which will result in the cancellation of 20 million shares and effectively return the ownership of Vello Technologies Pty Ltd back to the Australian shareholders. The cancellation of the shares will result in the Group holding a greater than 20% interest in Vello Technologies Inc and thereby in a position to exert significant influence which will require the Group to equity account its Vello related interests in subsequent reporting periods.

On 13 August 2021, 200,000 options issued to third parties lapsed. The options were granted on 13 August 2020 with an exercise price of \$0.80. The Group now has no outstanding options on issue.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.