SQID Technologies Limited

ABN 44 121 655 472

Financial Report - 31 December 2021

SQID Technologies Limited
Corporate directory
31 December 2021

Directors	Athan Lekkas Michael Clarke Andrew Sterling
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 38 345 Queen Street Brisbane QLD 4000
Website	sqidtechnologies.com
Stock exchange listing:	Canadian Securities Exchange (CSE:SQID)

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SQID Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2021.

Directors
The following persons were Directors of SQID Technologies Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Athan Lekkas
Michael Clarke
Andrew Sterling
John O'Connor (resigned 2 March 2021)

Principal activities
During the financial period the principal continuing activities of the Group include:
- to provide merchant services and transaction processing to business merchants and ecommerce customers across both Business to Business (B2B) and Business to Consumer (B2C) segments through its leading partner platform; and
- since 1 February 2021 growing esports gaming interests upon gaining control of ICON Esports Pty Ltd (ICON).

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The net loss for the year was $3,421,114 (31 December 2020: $72,407 profit) and was attributable to non-controlling interests of $299,252 (31 December 2020: $nil) and SQID Technology Limited shareholders $3,121,862 (31 December 2020: $72,407 gain).

The net loss comprises:
* ICON (esports & gaming) loss before depreciation and amortisation (EBITDA) $685,610 (31 December 2020: Nil),
* SQID (payments solutions) EBITDA loss $610,054 (31 December 2020: $1,369,825 profit),
* Corporate asset management EBITDA loss $704,966 (31 December 2020: $652,612),
* Depreciation and amortisation charges of $501,730 (31 December 2020: $58,268). Depreciation and amortisation for the current period relates to the amortisation of intangibles identified upon the acquisition of the ICON esports and gaming operations, and
* Impairment of intangibles $739,574 (31 December 2020: $124,036). A performance assessment of the esports and gaming business at the end of the current reporting period resulted in the full impairment of goodwill recognised on acquisition. Prior period impairment related to patents and software within the payment solutions business.

Net cash outflows from operating activities were $2,583,415 (31 December 2020: $43,614 inflows) and include repayments of merchant liabilities (security bonds) totalling $1,074,708. In the previous reporting period net security bond receipts were $456,331.

Group customer revenue for the reporting period was $1,015,469 (2020: $7,198,680). Esports and gaming revenue was $743,315 (2020: Nil). Payment solutions revenue was down 96.2% at $272,154 (2020: $7,198,680). The decrease in revenue is attributable to the cessation of services to a large customer group unable to meet the Payment Card Industry Data Security Standard ("PCI") compliance levels from 23 November 2020 onwards.

In April 2021, the Group migrated its payments business to an external platform provided by Merchant Warrior which has reduced payment related overheads and operating costs.

Gross profit for the reporting period was $173,077 (2020: $2,879,561).

During the reporting period the Group received COVID-19 related payments from the Federal Government totalling $12,000 (2020: $100,000)

During the reporting period the Group recorded net fair value losses on other financial assets (investments) totalling $171,800 (2020: $265,072 gain) comprising realised gains on ASX listed securities acquired during the previous reporting period totalling $336,893 and unrealised losses of $508,693 booked against the Group's interest in the Canadian based Vello Technologies Inc. following its unsuccessful application to list on the Canadian Securities Exchange (CSE).

Total expenses at $3,313,033 (31 December 2020: $2,744,505) include depreciation and amortisation charges $501,730 (31 December 2020: $58,268) and impairment losses of $797,312(31 December 2020:$124,156).The higher amortisation charge relates to intangibles associated with the ICON acquisition. Total expenses are expected to be significantly lower in future periods as a result of non-recurring items including amortisation impairment losses and run-off costs incurred whilst the payments solution business migrated to the Merchant Warrior platform.

Financial position:

The consolidated statement of financial position shows total equity of $1,525,773 (31 December 2020: $3,210,493).
Current assets at $2,089,029 (31 December 2020: $3,876,825) include cash balances $1,806,019 (31 December 2020: $2,998,162). Non-current assets at $60,000 (31 December 2020: $725,373) include intangibles relating to the ICON acquisition totalling $60,000 (31 December 2020: Nil).
Current liabilities at $605,174 (31 December 2020: $1,376,292) include merchant liabilities $18,374 (31 December 2020: $1,093,082) and contract liabilities $117,500 (31 December 2020: nil). Non-current liabilities at $18,082 (31 December 2020: $15,413) relate to employee provisions.

Significant changes in the state of affairs
On 1 February 2021, the Group subscribed to 2,150,000 new shares issued by ICON Esports Pty Ltd (ICON*)* The Group had a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors. ICON is a leading Australia & New Zealand esports and gaming organisation, focussed on the commercial landscape of the Oceanic market through brand driven marketing campaigns and partnerships, nutrition supplements and merchandise to their esports and gaming audience. The Group paid ICON a cash consideration of $2,150,000, represented by identifiable net assets acquired totalling $2,259,122, less 50% non-controlling interests of $848,696 plus goodwill $739,574.

On 16 April 2021, the Group signed a new agreement with Merchant Warrior to provide a range of new payment solutions to its customers including the ability to offer ApplePay, GooglePay, BPAY and Electronic Funds Transfer. The Merchant Warrior agreement allows the Group the opportunity to build upon their payment solution offering whilst removing the need to maintain and develop its existing platform and legacy systems. Under the agreement the Group receives commission revenue based on payments processed on behalf of SQID customers.

On 25 October 2021, the Group entered into a share purchase agreement with the ICON to acquire 2,150,000 ICON ordinary shares and as a result ICON became a wholly owned subsidiary. As consideration the Parent Entity issued 3,333,333 ordinary shares at a fair value of CAD$0.30 (A$0.32) each and the total fair value was CAD$999,999 (A$1,081,549).

On 19 November 2021, the Group completed a non-brokered private placement offering of 3,110,038 units of SQID (“Units”) at a price of CAD$0.30 (A$0.32) per Unit for gross proceeds of $A995,212. Each Unit comprised one ordinary share and one share purchase warrant. Each warrant entitles the holder to acquire one ordinary share up to the expiry date of 18 November 2024 at an exercise price of CAD$0.45.

The Private Placement proceeds were allocated to general working capital, business development actives and corporate purposes.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
On 30 January 2022, the wholly owned and non-operating subsidiary, EFT Managed Services Pty Limited was deregistered under section 601AA(4) of the *Corporations Act 2001*.

On 2 February 2022, MSM Corporation International Limited (MSM) issued the Group 4,260,000 fully paid ordinary shares and 1,065,000 options expiring on 31 December 2024 with an exercise price of $0.0470 under a share placement with a total investment of $200,220.

On March 24 2022, the Group announced that it had signed a collaboration agreement with tagSpace Pty Ltd (tagSpace). As part of this agreement both SQID and tagSpace will collectively look at opportunities to expand and capitalise on opportunities in “E-sports” market segments. As part of signing this agreement SQID invested A$100,000 in a cryptocurrency ITO undertaken by tagSpace.

No other matter or circumstance has arisen since 31 December 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.

Likely developments

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Information on directors and company secretary

Name:	Athan Lekkas
Title:	Chief Executive Officer and Executive Chairman
Experience and expertise:	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. During the three years prior to 31 December 2021, a Director of First Growth Funds Limited (CSE:FGFL).
Special responsibilities:	Chief Executive Officer and Executive Chairman

Name:	Michael Clarke
Title:	Non-Executive Director
Experience and expertise:	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 2021, a Director of First Growth Funds Limited (CSE:FGFL).
Special responsibilities:	Chair of Audit Committee. Member of Remuneration Committee

Name:	Andrew Sterling
Title:	Non-Executive Director
Qualifications:	Cert IV in Financial Services, Diploma of Financial Services
Experience and expertise:	Over 30 years of banking and finance experience including senior positions at ANZ & Citibank. No other directorships of listed companies were held at any time during the three years prior to 31 December 2021.
Special responsibilities:	Chair of Remuneration Committee. Member of Audit Committee.

Name:	Mark Pryn
Title:	Company Secretary
Qualifications:	B.Eco CA GAICD,ACIS
Experience and expertise:	Over 25 years of experience in finance and governance roles across varied industries and organisation types, including 10 years with ASX-listed entities.
Special responsibilities:	Company Secretary and Chief Financial Officer

Meetings of directors

The number of board and board committee meetings held during the year ended 31 December 2021, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Athan Lekkas	6	6	-	-	-	-
Michael Clarke	6	6	-	-	2	2
Andrew Sterling	6	6	-	-	2	2
John O'Connor (resigned 2 March 2021)	2	2	-	-	1	1

Held: represents the number of meetings held during the time the Director held office.

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

Grant date	Expiry date	Exercise price $CAD	Number under warrant
19 November 2021	18 November 2024	$0.45	3,110,038

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 Company or of any other body corporate.

Shares issued on the exercise of options and warrants
There were no ordinary shares of SQID Technologies Limited issued on the exercise of options or warrants during the year ended 31 December 2021 and up to the date of this report.

Equity securities held by directors

	Balance at the start of the year	**Off market additions ***	**Disposals**	**Balance at the end of the year**
Ordinary shares held by directors				
Michael Clarke	-	84,000	-	84,000
Andrew Sterling	903,300	-	-	903,300
	903,300	84,000	-	987,300

	Balance at the start of the year	Issued*	Exercised	Lapsed	Balance at the end of the year
Share warrants held by directors					
Michael Clarke	-	84,000	-	-	84,000

* *Director Michael Clarke subscribed to 84,000 units in the share placement completed on 19 November 2021 on the same terms and conditions as the non-related placement participants. Each unit comprised one ordinary share and one ordinary share warrant.*

Indemnity and insurance of officers
The Group has indemnified the Directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

As previously reported the Parent Entity did not renew the Directors' and Officers' insurance beyond the expiry of the previous policy being 14 January 2021. Revised cover arrangements are under discussion with the Group's insurance brokers.

Indemnity and insurance of auditor
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.

Rounding of amounts

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

Auditor's independence declaration

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

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 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.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Directors

Athan Lekkas
Director

4 April 2022

PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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 2021, 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
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
4 April 2022

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General information

The consolidated 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 reporting period. The financial statements are presented in Australian dollars, which is SQID Technologies Limited's functional and presentation currency.

SQID Technologies Limited is a 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

The financial statements were authorised for issue, in accordance with a resolution of Directors. The Directors have the power to amend and reissue the financial statements.

SQID Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	31 Dec 2020 $
Revenue			
Revenue from contracts with customers	4	1,015,469	7,198,680
Direct costs	6	(842,392)	(4,319,119)
Gross profit		173,077	2,879,561
Fair value losses on financial assets (investments)		(171,800)	265,072
Government assistance (COVID-19)		12,000	100,000
R&D tax incentive		-	12,294
Interest income		84	22,367
Expenses			
Professional fees		(630,636)	(931,676)
Employee benefits expense	6	(480,526)	(537,207)
Non-executive director fees		(86,667)	(123,333)
Depreciation and amortisation	12	(501,730)	(58,268)
Impairment losses	5	(797,312)	(124,156)
Other expenses		(89,256)	(245,941)
Marketing		(45,483)	-
Consultancy fees		(432,669)	(557,212)
Listing expenses		(41,851)	(11,765)
IT and hosting costs		(206,903)	(115,257)
Loss on redemption of investment held at amortised cost		-	(39,690)
Total expenses		(3,313,033)	(2,744,505)
Profit/(loss) before income tax expense		(3,299,672)	534,789
Income tax expense	7	(121,442)	(462,382)
Profit/(loss) after income tax expense for the year		(3,421,114)	72,407
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(3,421,114)	72,407
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(299,252)	-
Owners of SQID Technologies Limited		(3,121,862)	72,407
		(3,421,114)	72,407
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(299,252)	-
Owners of SQID Technologies Limited		(3,121,862)	72,407
		(3,421,114)	72,407
		Cents	**Cents**
Basic earnings per share for profit/(loss)	29	(34.84)	0.91
Diluted earnings per share for profit/(loss)	29	(34.84)	0.91

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 financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Assets			
Current assets			
Cash and cash equivalents	8	1,806,019	2,998,162
Receivables	9	149,760	285,483
Inventories	10	67,557	-
Other financial assets	11	-	354,000
Payment processing security deposits		50,000	186,987
Other current assets		15,693	52,193
Total current assets		2,089,029	3,876,825
Non-current assets			
Other financial assets	11	-	553,931
Intangibles	12	60,000	-
Deferred tax assets	7	-	121,442
Payment processing security deposits		-	50,000
Total non-current assets		60,000	725,373
Total assets		2,149,029	4,602,198
Liabilities			
Current liabilities			
Trade and other payables	13	400,135	213,525
Employee provisions	14	69,165	69,685
Merchant liabilities	15	18,374	1,093,082
Contract liabilities	16	117,500	-
Total current liabilities		605,174	1,376,292
Non-current liabilities			
Employee provisions	14	18,082	15,413
Total non-current liabilities		18,082	15,413
Total liabilities		623,256	1,391,705
Net assets		1,525,773	3,210,493
Equity			
Issued capital	17	8,824,267	6,855,020
Reserves	18	(532,105)	45,639
Accumulated losses		(6,766,389)	(3,690,166)
Total equity		1,525,773	3,210,493

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

SQID Technologies Limited
Consolidated statement of changes in equity
For the year ended 31 December 2021

Consolidated	Issued capital $	Share-based payments reserve $	Common control reserve $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 January 2020	6,822,170	-	-	(3,762,573)	-	3,059,597
Profit after income tax expense for the year	-	-	-	72,407	-	72,407
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	72,407	-	72,407
Transactions with owners in their capacity as owners:						
Shares issued to advisor (note 17)	32,850	-	-	-	-	32,850
Options issued to advisor (note 17).	-	45,639	-	-	-	45,639
Balance at 31 December 2020	6,855,020	45,639	-	(3,690,166)	-	3,210,493

Consolidated	Issued capital $	Share-based payments reserve $	Common control reserve $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 January 2021	6,855,020	45,639	-	(3,690,166)	-	3,210,493
Loss after income tax expense for the year	-	-	-	(3,121,862)	(299,252)	(3,421,114)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,121,862)	(299,252)	(3,421,114)
Non-controlling interests on acquisition of subsidiary (note 25)	-	-	-	-	848,696	848,696
Lapsed options	-	(45,639)	-	45,639	-	-
Transactions with owners in their capacity as owners:						
Share placement (note 17)	995,212	-	-	-	-	995,212
Shares issued to acquire non-controlling interests (note 17)	1,081,549	-	(532,105)	-	(549,444)	-
Share issue costs (note 17)	(107,514)	-	-	-	-	(107,514)
Balance at 31 December 2021	8,824,267	-	(532,105)	(6,766,389)	-	1,525,773

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 year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Cash flows from operating activities			
Receipts from customers		1,256,192	7,521,224
Payments to suppliers and employees		(3,851,691)	(7,599,977)
		(2,595,499)	(78,753)
Interest received		84	22,367
Receipts of government grants & subsidies		12,000	100,000
Net cash from/(used in) operating activities	27	(2,583,415)	43,614
Cash flows from investing activities			
Payments for investments	11	-	(642,859)
Payments for property, plant and equipment		-	(5,965)
Proceeds from sale of other financial assets	11	690,893	-
Cash acquired from business combination	25	41,431	-
Redemption of investments		-	1,924,659
Net cash from investing activities		732,324	1,275,835
Cash flows from financing activities			
Proceeds from issue of shares	17	995,212	-
Share issue transaction costs	17	(107,514)	-
Repayment of borrowings acquired through business combination.	25	(228,750)	-
Net cash from financing activities		658,948	-
Net increase/(decrease) in cash and cash equivalents		(1,192,143)	1,319,449
Cash and cash equivalents at the beginning of the financial year		2,998,162	1,678,713
Cash and cash equivalents at the end of the financial year	8	1,806,019	2,998,162

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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. There were no new mandatory Accounting Standards and Interpretations adopted during the reporting period that had a material impact.

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

(a) Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. The financial statements are presented in Australian dollars, which is SQID Technologies Limited's functional and presentation currency. The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Significant accounting estimates and judgements
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
The financial statements have been prepared on a going concern basis.

For the year ended 31 December 2021, the Group recorded revenue from contracts with customers of $1,015,469 (31 December 2020:$7,198,680), incurred a net loss of $3,421,114 (31 December 2020: $72,407 profit) and had operating cash outflows of $2,583,415 (31 December 2020:$43,614 inflow). The statement of financial position shows cash and cash equivalent balances of $1,806,019 (31 December 2020: $2,998,162) net current assets of $1,483,855 (31 December 2020: $2,500,533) and had net assets of $1,525,773 (31 December 2020: $3,210,493).

The losses and negative cashflows from operations incurred during the year are not considered to be indicative of future performance due to the following reasons:

- In order to mitigate the impact of the loss of payment solutions revenue announced in November 2020, the Group has right sized its payment solutions cost base during the year through staff and overhead reductions and outsourcing its payments solution platform. The Group continues to actively promote payment solution products through its website and access to gaming and esports customers,
- Expenditure is expected to be lower in future periods as a result of non-recurring items including amortisation, impairment losses and the run-off costs incurred whilst the payments solution business migrated to the Merchant Warrior platform,
- Included in operating cash outflows in the current year are repayments of merchant liabilities totalling $1,074,708. This level of cash outflow related to merchant liabilities and will not be incurred in future periods,
- As a result of the right sizing and excluding the significant non-recurring items recorded in the second half of the year, financial performance of the Group has improved in comparison to the first half of FY21,
- Despite the impairment loss recorded against the Group’s goodwill, the forecast cashflows and existing cash reserves are considered sufficient to support the Group’s ongoing operations for the foreseeable future; and
- The Group continues to develop and grow the revenue streams of its wholly owned subsidiary, Icon Esports Pty Ltd, a leading Australia & New Zealand esports and gaming organisation.

Note 1. Significant accounting policies (continued)

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SQID Technologies Limited ('Company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries for the year then ended. SQID Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Sponsorship revenue is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. Contacts may include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the relative stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue recognised at a point of time includes commission, merchandise and other revenue including prize money. Commission revenue is based on a percentage of the value of the transaction processed. Revenues are recognised at the point of time that performance obligations are met and/or when the goods and services are provided to the customer.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 1. Significant accounting policies (continued)

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 1. Significant accounting policies (continued)

Equity accounting (Associates)
Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts (Sponsorships)
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

Contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

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

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. Refer to note 9 'Receivables'.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured 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; and
- Level 3: Unobservable inputs for the asset or liability.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. Refer to note 20 'Fair value measurement'.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Estimates regarding the useful life of intangible assets are included in note 12.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The asset is impaired when the recoverable amount exceeds the carrying value. Refer to note 12 'Intangibles'.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer to note 7 'Income tax'.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. Refer to note 25 'Business combinations'.

Note 3. Operating segments

On 1 February 2021, a new business segment was introduced to the Group upon gaining control of Icon Esports Pty Ltd.

The Group comprises three operating segments within the geographical area of Australia: 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 these segments are equivalent to the financial statements of the group as a whole.

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

Note 3. Operating segments (continued)

Major customers
During the year ended 31 December 2021 approximately 13.3% (31 December 2020: 0.0%) of the Group's external revenue was derived from a single sponsorship contract.

Operating segment information

Consolidated - 31 Dec 2021	Payment Solutions $	Esports and Gaming $	Corporate asset management $	Total $
Revenue				
Revenue from contracts with customers	272,154	743,315	-	1,015,469
Government assistance (COVID-19)	12,000	-	-	12,000
Fair value losses on financial assets	-	-	(171,800)	(171,800)
Interest revenue	-	-	84	84
Total revenue	284,154	743,315	(171,716)	855,753
EBITDA	(610,054)	(685,610)	(704,966)	(2,000,630)
Depreciation and amortisation	-	(501,730)	-	(501,730)
Impairment losses	(12,500)	(739,574)	(45,238)	(797,312)
Loss before income tax expense	(622,554)	(1,926,914)	(750,204)	(3,299,672)
Income tax expense				(121,442)
Loss after income tax expense				(3,421,114)
Assets				
Segment assets	163,850	1,572,991	412,188	2,149,029
Total assets				2,149,029
Liabilities				
Segment liabilities	18,374	501,208	103,674	623,256
Total liabilities				623,256

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2020	Payment Solutions $	Esports and Gaming $	Corporate asset management $	Total $
Revenue				
Revenue from contracts with customers	7,198,680	-	-	7,198,680
Government assistance (COVID-19)	100,000	-	-	100,000
Fair value gains on financial assets	-	-	265,072	265,072
Interest revenue	-	-	22,367	22,367
R&D tax incentive	12,294	-	-	12,294
Total revenue	7,310,974	-	287,439	7,598,413
EBITDA	1,369,825	-	(652,612)	717,213
Depreciation and amortisation	(50,658)	-	(7,610)	(58,268)
Impairment losses	(124,156)	-	-	(124,156)
Profit/(loss) before income tax expense	1,195,011	-	(660,222)	534,789
Income tax expense				(462,382)
Profit after income tax expense				72,407
Assets				
Segment assets	3,548,939	-	1,053,259	4,602,198
Total assets				4,602,198
Liabilities				
Segment liabilities	1,320,126	-	71,579	1,391,705
Total liabilities				1,391,705

Note 4. Revenue from contracts with customers

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Transaction fees	199,034	7,006,750
Chargeback fees	6,965	191,930
Commission	66,155	-
Total payment solutions revenue recognised at a point in time	272,154	7,198,680
Sponsorships *(transferred over time)*	562,944	-
Merchandise *(recognised at a point in time)*	50,814	-
Other (including prize money *recognised at a point in time)*	129,557	-
Total esports and gaming revenue	743,315	-
	1,015,469	7,198,680

Note 5. Impairment losses

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Receivables from contracts with customers	-	42
Other receivables	12,500	-
Property, plant and equipment	-	78
Intangible assets - goodwill	739,574	-
Intangible assets - other	-	124,036
Equity accounted investments (Associates)	45,238	-
	797,312	124,156

Note 6. Expenses

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Profit/(loss) before income tax includes the following specific expenses:		
Direct costs against contracts with customers comprise:		
Purchases and other direct costs	909,949	4,319,119
Decrease / (increase) in the value of inventory	(67,557)	-
	842,392	4,319,119
Superannuation expense		
Defined contribution superannuation expense	53,314	40,501
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	427,212	496,706

Note 7. Income tax

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Income tax expense		
Deferred tax - origination and reversal of temporary differences	121,442	462,382
Aggregate income tax expense	121,442	462,382
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	121,442	389,258
Increase in deferred tax liabilities	-	73,124
Deferred tax - origination and reversal of temporary differences	121,442	462,382
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(3,299,672)	534,789
Tax at the statutory tax rate of 26% (2020: 27.5%)	(857,915)	147,067
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	130,450	-
Impairment of goodwill	192,289	-
Non-deductible expenses	-	12,551
ATO cash flow boost	-	(27,500)
	(535,176)	132,118
Current year tax losses not recognised	535,176	-
Derecognition of deferred tax assets of prior periods	121,442	330,264
Income tax expense	121,442	462,382

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	3,262,202	1,203,833
Potential tax benefit @ 26%	848,173	312,997

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The income tax rates are as prescribed by the Australian Tax Office.

There are no franking credits available.

Note 7. Income tax (continued)

	Consolidated	
	31 Dec 2021	31 Dec 2020
	$	$
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	-	23,402
Accrued expenses	-	11,568
Listing costs	-	161,242
Prepayments	-	(1,875)
Investments	-	(72,895)
Deferred tax asset	-	121,442

Note 8. Cash and cash equivalents

	Consolidated	
	31 Dec 2021	31 Dec 2020
	$	$
Current assets		
Cash at bank and on hand	1,806,019	2,998,162
Cash at bank includes the following balances on behalf of merchants		
Merchant floats (refer note 13 'Trade and other payables')	-	34,433
Merchant bonds (refer note 15 'Merchant liabilities')	18,374	1,093,082
	18,374	1,127,515

Note 9. Receivables

	Consolidated	
	31 Dec 2021	31 Dec 2020
	$	$
Current assets		
Receivables from contracts with customers	88,678	155,507
Other receivables	61,082	129,976
	149,760	285,483

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.

Allowance for expected credit losses
During the year the amounts written off were:
* contracts receivable from customers $nil. (31 December 2020: $42).
* other receivables $12,500 (31 December 2020: $nil).

Note 9. Receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**31 Dec 2021 %**	**31 Dec 2020 %**	**31 Dec 2021 $**	**31 Dec 2020 $**	**31 Dec 2021 $**	**31 Dec 2020 $**
Not overdue	-	-	90,882	127,626	-	-
0 to 3 months overdue	-	-	58,878	105,938	-	-
3 to 6 months overdue	-	-	-	39,829	-	-
Over 6 months overdue	-	-	-	12,090	-	-
			149,760	285,483	-	-

Note 10. Inventories

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Current assets		
Finished goods - at cost	67,557	-

Note 11. Other financial assets

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
Current assets		
Listed securities	-	354,000
Non-current assets		
Unlisted securities	-	553,931
	-	907,931

Refer to note 20 'Fair value measurement' for further information.

Movements between the financial asset carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Listed securities *	Unlisted securities **	Total
Consolidated - 2021			
Balance as at 1 January 2021	354,000	553,931	907,931
Disposal proceeds	(690,893)	-	(690,893)
Fair value gains / (losses) through profit or loss	336,893	(508,693)	(171,800)
Transfer to equity accounted investments (Associates)	-	(45,238)	(45,238)
	-	-	-
Consolidated - 2020			
Additions	240,000	402,859	642,859
Fair value gains / (losses) through profit or loss	114,000	151,072	265,072
	354,000	553,931	907,931

Note 11. Other financial assets (continued)

* On 7 December 2020, the Group invested $240,000 in Cirralto Ltd (ASX:CRO) share placement and received 1 free listed option for every 4 placement shares. The shares and options were sold during the reporting period.

** On 2 October 2020, the Group invested A$402,859 (CAD$380,000) in shares and warrants issued by Vello Technologies Inc ('Vello'). During the reporting period fair value losses reduced the carrying value of Vello to A$45,238 which was subsequently transferred to investments accounted for in accordance with the equity accounting investment policy. As at 31 December 2021 this Vello equity accounted investment was fully impaired. Refer note 5 'Impairment losses'.

Refer to note 20 for further information on fair value measurement.

Note 12. Intangibles

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Non-current assets		
Goodwill - at cost	739,574	-
Less: Impairment	(739,574)	-
	-	-
Patents - at cost	-	153,393
Less: Accumulated amortisation	-	(102,136)
Less: Impairment	-	(51,257)
	-	-
Capitalised software development - at cost	-	233,732
Less: Accumulated amortisation	-	(160,953)
Less: Impairment	-	(72,779)
	-	-
Sponsorship and membership contracts	561,730	-
Less: Accumulated amortisation	(501,730)	-
	60,000	-
	60,000	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Goodwill * $	Sponsorship and membership contracts ** $	Total $
Balance at 1 January 2021	-	-	-
Additions through business combinations (note 25)	739,574	561,730	1,301,304
Impairment of assets	(739,574)	-	(739,574)
Amortisation expense	-	(501,730)	(501,730)
Balance at 31 December 2021	-	60,000	60,000

Note 12. Intangibles (continued)

* Goodwill recognised represents residual unidentifiable intangibles included in the purchase consideration for the controlling interest in Icon Esports Pty Ltd representing the esports and gaming business segment. See note 25 'Business combinations'.

** Upon acquisition of the Group's controlling interest in ICON Esports Pty Ltd sponsorship and membership contract balances were recognised as identifiable intangibles at fair value and are being amortised over the average remaining life of the underlying contracts being less than 12 months. See note 25 'Business combinations'.

Impairment testing
The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the esports and gaming segment:

- 20% pre-tax discount rate;
- 5% per annum projected revenue growth rate;
- 5% per annum increase in operating costs and overheads.

The cash generating unit projections for the 2022 financial year reflect management's best estimates and judgements taking into account historical performance and the current trading environment.

The discount rate reflects management’s estimate of the time value of money and the Group’s weighted average cost of capital adjusted for the esports and gaming division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on the current esports and gaming market growth.

There were no other key assumptions for the esports and gaming segment.

Based on the above, an impairment charge of $739,574 has been applied as the original carrying amount of goodwill exceeds the recoverable amount. Refer note 5 'Impairment losses'.

Sensitivity
As disclosed in note 2, judgements and estimates have been made in respect of goodwill impairment testing. The goodwill initially recognised was subsequently fully impaired.

Note 13. Trade and other payables

	Consolidated	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Current liabilities		
Trade payables	82,578	93,018
Merchant floats	-	34,433
Accrued transaction processing fees	-	30,491
Other payables	317,557	55,583
	400,135	213,525

Note 14. Employee provisions

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Current liabilities		
Annual leave	69,165	69,685
Non-current liabilities		
Long service leave	18,082	15,413
	87,247	85,098

Note 15. Merchant liabilities

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Current liabilities		
Merchant bonds	18,374	1,093,082

Merchant bonds are held as security against possible chargebacks against merchant payments processed.

Note 16. Contract liabilities

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
Current liabilities		
Esports and gaming revenue received in advance	117,500	-

Note 17. Issued capital

	Consolidated			
	31 Dec 2021 Shares	**31 Dec 2020 Shares**	**31 Dec 2021 $**	**31 Dec 2020 $**
Ordinary shares - fully paid	14,416,827	7,973,456	8,824,267	6,855,020

Movements in ordinary share capital for the current year

Details	**Date**	**Shares**	**Issue price A$**	**$**
Balance	1 January 2021	7,973,456		6,855,020
Shares issued to acquire non-controlling interests pursuant to a share purchase agreement. (i)	25 October 2021	3,333,333	$0.32	1,081,549
Shares and warrants issued pursuant to a private placement (ii)	19 November 2021	3,110,038	$0.32	995,212
Share issue costs (iii)	Various	-	$0.00	(107,514)
Balance	31 December 2021	14,416,827		8,824,267

Note 17. Issued capital (continued)

(i) On 1 February 2021, the Group obtained a 50% controlling interest in ICON Esports Pty Ltd (ICON). Refer note 25 'Business combinations'.

On 25 October 2021, the Group acquired the non-controlling interests pursuant to a share purchase agreement whereby the Parent Entity issued 3,333,333 ordinary shares as consideration. The shares issued had a fair value of $1,081,549 (A$0.32 per share) which was $533,093 higher than the non-controlling interests as at the transaction date. The difference was recorded in a common control reserve.

(ii) The Group completed a non-brokered private placement and issued 3,110,038 SQID units (“Units”) at a price of CAD$0.30 (A$0.32) per Unit.

Each Unit comprised one ordinary share and one share purchase warrant. Each warrant entitles the holder to acquire one ordinary share up to the expiry date of 18 November 2024 at an exercise price of CAD$0.45. There was no value attributed to the warrants.

The increase in share capital comprises the proceeds from the share of issue of $995,212.

(iii) The share issue costs comprise:
* commissions paid to a related party $80,000. (Refer note 23 'Related party transactions') and
* legal and other fees paid $27,514.

Movements in ordinary share capital for the prior year

Details	Date	Shares	Issue price $A	$
Balance	1 January 2020	7,863,956		6,822,170
Shares issued to advisor (i)	Various	109,500	$0.30	32,850
Balance	31 December 2020	7,973,456		6,855,020

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

Ordinary share rights
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.

Generally, every member present at a meeting in person or by proxy shall have one vote for each share held.

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.

Options and share warrants
Information relating to options, including details of options and share warrants issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out below.

Note 17. Issued capital (continued)

(i) Movements in options and share warrants

	Number of options	Number of share warrants	Share based payment reserve $
13 Aug 2020- Issue of fully vested advisor options *(Exercise price CAD$0.80. Expiry date 12 Aug 2021.)*	200,000	-	45,639
Balance as at 1 January 2021	200,000	-	45,639
12 Aug 2021 - Lapse of fully vested advisor options	(200,000)	-	(45,639)
19 Nov 2021 - Issue of warrants to private placement participants. *(Exercise price CAD$0.45. Expiry date 18 Nov 2024.)*	-	3,110,038	-
Balance as at 31 December 2021	-	3,110,038	-

Note 18. Reserves

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Share-based payments reserve	-	45,639
Common control reserve	(532,105)	-
	(532,105)	45,639

Nature and purpose of reserves

Share-based payments reserve
The share-based payment reserve comprises items recognised as expenses on the valuation of any share options and share warrants granted to key management personnel, other employees and eligible contractors.

Common control reserve
The common control reserve recognises differences arising from the fair value of the shares issued in consideration for the acquisition of the non-controlling interests in ICON Esports Pty Ltd (ICON). Refer to note 17 'Issued capital'.

Note 19. Financial instruments

Financial risk management objectives
The Group's operations are exposed the following financial risks:
- Interest rate risk,
- Credit risk,
- Liquidity risk,
- Price risk, and
- Foreign currency risk.

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

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.

Note 19. Financial instruments (continued)

Price risk
The Group's exposure to equity securities price risk for the previous reporting period arose from investments held and classified in the statement of financial position as listed and unlisted equities at fair value through profit or loss. In the current reporting period, the exposure was removed through investment sales and impairment. The impact of 10% increase or decrease in security prices on the Group's loss before tax and net assets for the previous reporting period is set out below.

	Average price increase			Average price decrease		
Consolidated - 31 Dec 2020	**% Change**	**Effect on profit before tax**	**Effect on equity**	**% Change**	**Effect on profit before tax**	**Effect on equity**
Listed securities	10%	35,400	35,400	10%	(35,400)	(35,400)
Unlisted securities	10%	55,393	55,393	10%	(55,393)	(55,393)
		90,793	90,793		(90,793)	(90,793)

Interest rate risk
The Group does not have a significant exposure to interest rate risk. The primary exposure relates to cash and cash equivalent balances in a low interest rate environment.

Credit risk
Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to customers who are public and private organisations in the technology industry, including outstanding receivables. During the year the outsourcing of the payments solutions business has reduced the Group's credit risk.

(i) Risk management

Credit risk is managed through the maintenance of procedures ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

The Group's customer base includes of public sectors, listed companies and large and reputable private entities. Management maintains a close relationship with their customers to ensure that contract deliverables are met in a timely manner.

Risk is also minimised through holding cash and cash equivalent balances with financial institutions that maintain a high credit rating.

(ii) Impairment of financial assets

The Group's esports and gaming business trade receivables are exposed to credit losses. The outsourcing of the payments solution business during the year reduced the Group's credit exposure to this business.

(iii) Trade receivables and contract assets

Aged receivable balances are closely monitored by management to ensure customers adhere to payment terms.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Note 19. Financial instruments (continued)

Allowance for expected credit losses
The Group has recognised a loss of $nil (31 December 2020: $42) in profit or loss in respect of the expected credit losses from receivables from contracts with customers.

The Group has recognised a loss of $12,500 (31 December 2020: $nil) in profit or loss in respect of losses arising from a one-off loan classified as other receivables.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The remaining contractual liabilities shown in the tables below match the respective carrying amount in the statement of financial position.

Consolidated - 31 Dec 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	400,135	-	-	-	400,135
Merchant liabilities	-	18,374	-	-	-	18,374
Contract liabilities	-	117,500	-	-	-	117,500
Total non-derivatives		536,009	-	-	-	536,009

Consolidated - 31 Dec 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Payables	-	213,525	-	-	-	213,525
Merchant liabilities	-	-	1,093,082	-	-	1,093,082
Total non-derivatives		213,525	1,093,082	-	-	1,306,607

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Fair value measurement

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

As at 31 December 2021 the carrying value of the Group's assets and liabilities, measured or disclosed at fair value was nil. During the reporting period an investment previously classified as an unlisted security became an associate and was transferred to equity accounted investments which are not measured at fair value. Other investments measured or disclosed at fair value and held at the beginning of the reporting period were sold.

Consolidated - 31 Dec 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Listed securities	354,000	-	-	354,000
Unlisted securities *	-	-	553,931	553,931
Total assets	354,000	-	553,931	907,931

* Investments in unlisted securities were valued at fair value and classified as Level 3 within the fair value hierarchy. As at 31 December 2020 the directors considered the available information regarding these investments and recognised a fair value of $553,931 based on either consideration paid for recent acquisitions or subsequent reviews of the underlying net asset backing of the security.

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.

Level 3 assets and liabilities
Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers will be selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The Group policy is to reassess the fair value hierarchy level for each investment at the end of each reporting period. Where applicable investments will be transferred between fair value hierarchy levels at the most recent fair value determination prior to the transfer. There were no transfers between fair value hierarchy levels during the reporting period.

Note 21. Key management personnel disclosures

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

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Short-term employee benefits	98,718	-
Post-employment benefits	8,958	-
Long-term benefits	1,112	-
Short term benefits	609,287	680,545
	718,075	680,545

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Amounts payable to entities controlled by key management personnel	69,391	59,885

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Group:

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Audit services - Pitcher Partners		
Audit or review of the financial statements	63,000	51,000
Other services - Pitcher Partners		
Taxation services - SQID	17,730	22,460
Taxation services - ICON	5,310	-
	23,040	22,460
	86,040	73,460

Note 23. Related party transactions

Parent entity
SQID Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Note 23. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Success fee paid to Shape Capital Pty Ltd relating to the initial Icon Esports Pty Ltd investment(i)	129,000	-
Consulting fees paid to Shape Capital Pty Ltd (i)	120,000	90,000
Share placement (investor) finders' fee paid Shape Capital Pty Ltd (i)	80,000	-
Consulting fees paid to Dixon Family Trust (ii)	33,333	-
Consulting fees paid to John O'Connor (iii)	10,000	107,500
Other expenses paid to Sigrist Design Pty Ltd (iv)	-	7,500

(i) Shape Capital Pty Ltd is controlled by Anoosh Manzoori, who is also CEO / Chair of SQID's largest shareholder, First Growth Funds Limited.

During the reporting period Shape Capital Pty Ltd:
* was contracted to provide professional and advisory services to the parent entity board for a fee of $10,000 per month, and
* was paid an (investor) finders' fee of $80,000 based on 8% of the gross private share placement funds raised.

(ii) Dixon Family Trust is controlled by Ben Dixon who is a director of Icon Esports Pty Ltd, a wholly owned subsidiary.

During the reporting period Dixon Family Trust was engaged to provide advice and leads for the payment solutions business for a fee of $3,333 per month.

(iii) Former Director John O'Connor (resigned 2 March 2021) had a consulting contract to the parent entity board to provide advisory services around KPIs, revenue targets, financial analysis, technology and staffing.

(iv) Sigrist Design Pty Ltd:

Director Peter Hall (resigned February 21, 2020) has a beneficial interest in Sigrist Design Pty Ltd, which rented out office space and provided the registered office for the Group. This arrangement ceased March 2020.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Current payables:		
Trade payables to Shape Capital Pty Ltd	11,000	11,000
Trade payables to Dixon Family Trust	3,667	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Loss after income tax	(871,707)	(1,099,891)
Total comprehensive income	(871,707)	(1,099,891)

Statement of financial position

	Parent	
	31 Dec 2021	**31 Dec 2020**
	$	**$**
Total current assets	412,188	377,886
Total assets	3,643,741	1,054,619
Total current liabilities	103,674	71,579
Total liabilities	3,134,722	1,643,140
Equity		
Issued capital	8,824,267	6,855,020
Share-based payments reserve	-	45,639
Accumulated losses	(8,315,248)	(7,489,180)
Total equity/(deficiency)	509,019	(588,521)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2021 and 31 December 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2021 and 31 December 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2021 and 31 December 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Business combinations

On 1 February 2021, the Group subscribed to 2,150,000 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 $2,150,000. The Group had a controlling interest in ICON as it has 50% of the voting rights and the ICON board comprises a majority of parent entity directors.
Refer to note 3 'Operating segments' for details of the acquiree's contribution to Group revenue and results since acquisition.

The goodwill on acquisition (see table below), represents various qualitative factors including expected synergies from combining the respective business operations and the increased capacity for revenue growth following the injection of the $2,150,000 purchase consideration into the business as working capital.
The business combination disclosures below fall within the 12 month measurement period prescribed by AASB3 Business Combinations.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	41,431
Other current assets	2,860
Sponsorship and membership contracts (intangibles identified)	561,730
Employee benefits	(184,839)
ATO Liabilities	(83,310)
Loans	(228,750)
Cash consideration paid by parent entity to ICON at acquisition date	2,150,000
Less non-controlling interests	(848,696)
Net assets acquired	1,410,426
Goodwill	739,574
Cash consideration paid by the parent entity to ICON at acquisition date	2,150,000

Note 26. 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:

Name	**Principal place of business / Country of incorporation**	**Ownership interest 31 Dec 2021 %**	**Ownership interest 31 Dec 2020 %**
SQID Payments Pty Ltd	Australia	100%	100%
EFT Managed Services Pty Ltd *(deregistered 30 January 2022) **	Australia	100%	100%
SQID Payments USA LLC *(deregistered 21 December 2021)*	USA	-	100%
SQID Payments NZ Limited *(deregistered 13 October 2021)*	New Zealand	-	100%
ICON Esports Pty Ltd *(and wholly owned subsidiaries **)*	Australia	100%	-
**Tainted Minds E-Sports Pty Ltd	Australia		
**The Chiefs Esports Pty Ltd	Australia		
** Team Icon Pty Ltd (incorporated 9 April 2021)	Australia		

* Refer note 30 'Events after the reporting period'.

Note 27. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Profit/(loss) after income tax expense for the year	(3,421,114)	72,407
Adjustments for:		
Depreciation and amortisation	501,730	58,269
Net fair value loss/(gain) on other financial assets	171,800	(265,072)
Share-based payments	-	78,489
Merchant debt expense	-	41,671
Impairment losses	797,312	124,156
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	123,223	(98,786)
Increase in inventories	(67,557)	-
(Increase)/decrease in other current assets	39,360	(46,205)
(Increase)/decrease in payment processing security deposits	186,987	(113)
Decrease in deferred tax assets	121,442	462,383
Decrease in trade and other payables	(22,656)	(882,457)
Increase/(decrease) in employee benefits	(56,734)	42,541
(Decrease)/increase in merchant liabilities	(1,074,708)	456,331
Increase in contract liabilities	117,500	-
Net cash from/(used in) operating activities	(2,583,415)	43,614

Note 28. Non-cash investing and financing activities

On 25 October 2021, the Group acquired the non-controlling interests in Icon Esports Pty Ltd pursuant to a share purchase agreement whereby the Parent Entity issued 3,333,333 ordinary shares as consideration. The shares issued had a fair value of $1,081,549 (A$0.32 per share). Refer note 17 'Issued capital'. The fair value of the shares issued to acquire the non-controlling interests was determines with reference to the share issue price used for the private share placement which opened on 6 October 2021 and completed on 19 November 2021.

Note 29. Earnings per share

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Profit/(loss) after income tax	(3,421,114)	72,407
Non-controlling interest	299,252	-
Profit/(loss) after income tax attributable to the owners of SQID Technologies Limited	(3,121,862)	72,407
	Cents	Cents
Basic earnings per share for profit/(loss)	(34.84)	0.91
Diluted earnings per share for profit/(loss)	(34.84)	0.91
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	8,960,849	7,920,355
Weighted average number of ordinary shares used in calculating diluted earnings per share	8,960,849	7,920,355

Note 30. Events after the reporting period

On 30 January 2022, the wholly owned and non-operating subsidiary, EFT Managed Services Pty Limited was deregistered under section 601AA(4) of the *Corporations Act 2001*.

On 2 February 2022, MSM Corporation International Limited (MSM) issued the Group 4,260,000 fully paid ordinary shares and 1,065,000 options expiring on 31 December 2024 with an exercise price of $0.0470 under a share placement with a total investment of $200,220.

On March 24 2022, the Group announced that it had signed a collaboration agreement with tagSpace Pty Ltd (tagSpace). As part of this agreement both SQID and tagSpace will collectively look at opportunities to expand and capitalise on opportunities in "E-sports" market segments. As part of signing this agreement SQID invested A$100,000 in a cryptocurrency ITO undertaken by tagSpace.

No other matter or circumstance has arisen since 31 December 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.

Note 31. Share-based payments

(a) Share-based payment transactions recognised during the year

	Consolidated	
	31 Dec 2021 $	**31 Dec 2020 $**
13 Aug 2020- Issue of fully vested advisor options	-	45,639
Share based payment transactions recorded as expenses	-	45,639
	-	45,639

SQID Technologies Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Athan Lekkas
Director

4 April 2022

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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 2021, 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 2021 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.

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
Business combination Refer to note 25	
During the year the Group acquired 50% of Icon Esports Pty Ltd via a $2,150,000 share subscription. This was considered a significant transaction for the Group. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities and also demonstrate that the Group gained control of Icon Esports Pty Ltd as a result of the transaction. As the acquisition date fair value of net assets acquired was lower than the purchase consideration, goodwill of $739,574 was recognised by the group in the Consolidated statement of Financial Position. It is due to the size of the transaction and judgements involved in accounting for it that this is a key area of audit focus.	Our audit procedures included, amongst others: • Obtaining an understanding of managements processes and controls associated with accounting for the business combination; • Evaluating the methodology applied to identify assets and liabilities acquired and measure their respective fair values; • Reading the share purchase agreement to understand the key terms and conditions; • Assessing the point at which the Group obtained control of Icon Esports Pty Ltd; • Recalculating the Goodwill acquired and Non-Controlling Interest; • Agreeing key balances acquired to supporting schedules and documentation; and • Assessing the adequacy of the Group's disclosures in respect to the business combination.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing Refer to note 12	
As part of the business combination of acquiring Icon Esports Pty Ltd, the group recognised goodwill and intangible assets valued at $739,574 and $561,730 respectively. IAS 36 *Impairment of Assets* requires the Group to undertake an annual impairment assessment for all cash-generating units ("CGUs") to which goodwill or intangible assets with an indefinite useful life are allocated. The carrying amount of goodwill and the intangible assets is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows, key assumptions such as the annual growth rates, discount rate and terminal value growth rate. As a result of the impairment assessment conducted by management, the Group recorded an impairment expense of $739,574 against the assets of its Esports & Gaming CGU. This is a key area of audit focus as the value of the goodwill and intangible assets is material and the evaluation of the recoverable amount of these assets requires significant judgment in determining the key estimates supporting the expected future cash flows of the CGUs and the utilisation of the relevant assets.	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 FY22 cash flow forecasts and methodology of the impairment model; • Comparing the cash flow forecast used in the value-in-use calculations to historic actual performance; • Confirming consistency of the impairment testing calculations and inputs applied by the Group with the requirements of IAS 36; • Assessing the key assumptions within the impairment testing calculations including forecast cash flows, annual growth rates, discount rate and terminal value growth rate; • 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 change to those assumptions; and • Assessing the adequacy of disclosures.

Key Audit Matter	How our audit addressed the key audit matter
Cashflow forecasts Refer to note 1(a)	
For the year ended 31 December 2021, the Group reported a net comprehensive loss of \$3,421,114 and a net cash outflow from operations of \$2,583,415. As at 31 December 2021, the Group had cash and cash equivalents totalling \$1,806,019, current assets of \$2,089,029, current liabilities of \$605,174 and net assets of \$1,525,773. The Directors have determined the use of the going concern basis of accounting is appropriate in preparing the financial report. The cash flow forecast includes significant judgements, assumptions and estimates such as future revenue and expenditure. There is a high level of judgement required by us in evaluating the Group's assessment of going concern.	Our procedures included, amongst others: • Reviewing and challenging the key judgements, assumptions and estimates used in the cash flow forecast approved by the Directors; • Checking the mathematical accuracy of the cash flow forecast; • Applying sensitivities to the Directors' cash flow forecast to determine the extent to which changes in key assumptions result in the Group not having sufficient resources to meet its forecast liabilities as they fall due for a period of 12 months from the date of signing; • Agreeing cash balances at year end to bank records to gain comfort over the opening balances used in the cashflow forecast; and • Assessing the adequacy of related financial statement 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 2021, 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

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
4 April 2022