

27 August 2020

**Company Announcements**

**For Immediate Release**

**ASX Code: CT1**

## **APPENDIX 4E AND ANNUAL FINANCIAL REPORT**

**In accordance with the ASX Listing Rules, CCP Technologies Limited encloses for immediate release the following information:**

- 1. Appendix 4E; and**
- 2. Annual Financial Report for the period ended 30 June 2020.**

**If you have a query about any matter covered by this announcement, please contact Ms Terri Bakos**

**Authorised for release by the Board.**

## ASX LISTING RULES – APPENDIX 4E

### ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING 30 JUNE 2020

The following information is presented in accordance with ASX Listing Rule 4.2A.3.

#### 1. Details of the reporting year and the previous corresponding year

Current reporting year - the year ended 30 June 2020

Previous corresponding year - the year ended 30 June 2019

#### 2. Results for announcement to the market

Year ended	30 June 2020	30 June 2019	Increase / (Decrease)	
	\$	\$	\$	%
2.1 Revenues from ordinary activities	691,484	578,990	112,494	19.43
2.2 Loss from ordinary activities after tax attributable to members	2,923,876*	2,177,277	746,599	34.29
2.3 Net loss for the year attributable to members	2,923,876*	2,177,277	746,599	34.29
2.4 Dividends (distributions)	Nil			
2.5 Record date for determining entitlements to the dividend	Nil			
2.6 Commentary on "Results for Announcement to the Market"				

A brief explanation of any of the figures in 2.1 to 2.4 above is contained in the attached Annual Financial Report for the Year ended 30 June 2020.

\*Unaudited normalised loss for the year \$1,371,757. Refer page 9, 2020 Annual Report

### 3. Net tangible assets per security

Year ended	30 June 2020 cents	30 June 2019 cents	Increase / (Decrease)	
			cents	%
Net tangible assets per security	0.33	(0.10)	0.43	428.44

The net tangible assets backing per ordinary security of 0.33 cents presented above is inclusive of right-of-use assets and lease liabilities. The net tangible asset backing per security, as at 30 June 2020, would reduce to 0.32 cents if right-of-use assets were excluded, and right-of-use liabilities were included in the calculation.

### 4. Details of entities over which control has been gained or lost during the year

The only change in controlled entities during the period was the incorporation of the Group's 100% owned Chinese entity, Beijing Constellation Technologies Development Co. Ltd.

### 5. Details of individual and total dividends or distributions and dividend or distribution payments

Nil

### 6. Details of any dividend distribution reinvestment plans

Nil

### 7. Details of any associates and joint venture entities

Nil

### 8. Foreign Entities, Accounting Standards used in compiling the report

Refer to Note 12 of the Annual Financial Report for details of investments in foreign subsidiaries.

### 9. Audit / Review of Accounts upon which this report is based and qualification of audit / review

The Annual Financial Report has been subject to an audit and is not subject to any dispute or qualification.

**constellation**  
technologies



**Constellation Technologies Limited**

Annual report

for the year ended 30 June 2020

ABN 58 009 213 754

# Constellation Technologies Limited

(formerly CCP Technologies Limited)

ABN 58 009 213 754

## Annual report - 30 June 2020

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# Corporate Directory

## Directors

### **Mr Adam Gallagher**

*Executive Director and Chief Executive Officer*

### **Mr Leath Nicholson**

*Independent Non-Executive Chairman*

### **Mr Anoosh Manzoori**

*Independent Non-Executive Director*

### **Ms Terri Bakos**

Level 7, 420 Collins Street

Melbourne VIC 3000

Australia

Telephone: +61 (0)3 8592 4883

### **Advanced Share Registry Ltd**

110 Stirling Highway

Nedlands WA 6909

Australia

Telephone: +61 (0)8 9389 8033

Facsimile: +61 (0)8 9262 3723

### **PKF Brisbane Audit**

Level 6, 10 Eagle Street

Brisbane QLD 4000

Australia

Telephone: +61 (0)7 3839 9733

Facsimile: +61 (0)7 3832 1407

### **Nicholson Ryan Lawyers Pty Ltd**

Level 7, 420 Collins Street

Melbourne VIC 3000

Australia

Telephone: +61 (0)3 9640 0400

### **Westpac Banking Corporation**

150 Collins Street

Melbourne VIC 3000

Australia

Constellation Technologies Limited shares are listed on the Australian Securities Exchange (ASX: CT1)

<https://www.ct1limited.com>

## Company Secretary

**Principal registered office and principal place of business**

## Share register

## Auditor

## Solicitors

## Bankers

## Stock exchange listings

## Website

## Chairman's Letter



**Mr Leath Nicholson**  
*Independent Non-Executive  
Chairman*

### **Dear fellow shareholders,**

I welcome you to the 2020 Annual Report for Constellation Technologies Limited and its subsidiaries and I thank you for your interest and continued support.

Our Company is ambitiously setting out on a grand journey to define the next era of the Internet of Things that we have named 'Constellation Technologies'. The ability of software platforms to make best use of the proliferation of data is central to enabling true digital transformation and underpins the rapidly emerging Smart Cities theme.

While we are still at the very early stages of our plans, our market capitalisation has already grown in excess of 1000% from our low point in 2019, and we were very pleased to provide all shareholders who participated in our Q2 FY2020 rights issue, with this early upside. I particularly acknowledge and thank our two underwriters that supported the rights issue and whose participation I am sure gave many shareholders the confidence to invest alongside them.

In December 2019, we signed two strategic partnership agreements that together contemplates new business revenues of \$15m in cash by 31 December 2021. Our partners have extensive commercial and corporate experience as well as international networks. They each also chose to subsequently further invest in the Company at effectively double the price of the rights issue that was completed in October 2019 when taking into account the value of the free attaching option received by rights issue participants.

The investment and revenue targets of the strategic partners provides the Board with the confidence to invest in the business to support this anticipated growth that is in addition to, and complemented by our existing and future growth initiatives.

Since establishing in China in recent months we are now seeing the initial projects and momentum starting to materialise that gives us confidence in the future achievement of the strategic partnership revenue targets. Our projects to date have also given us an early glimpse of the enormous scale of the smart-cities sector that is commencing its implementation phase in China with major projects being developed across the country. We are doing all that we can to be a major beneficiary of this sector.

## **Chairman's Letter continued...**

Accordingly, we have invested in our team and added significant skillsets in areas that we believe are important to our current and future growth such as AI, camera technology, IoT architecture, project management and sensor production. We have a phenomenal team working seamlessly across India, Australia and China servicing clients and opportunities in each of these regions as well as in the USA and the Middle East.

While COVID-19 restrictions have had an impact on new sales across the group mainly in the form of project delays, we are seeing growing opportunities in the global smart-city movement with the acceleration of the mainstream awareness that the pandemic has fostered for the transition to a more digital economy in every area.

Digital transformation occurs where our industries and the customers that they serve incorporate technologies that can help them become more sustainable and efficient as well as creating and enabling innovative new growth opportunities. IoT is core to this movement and we have a broad vision, a growing capability and the commercial distribution to be a significant enabler.

While our share capital has expanded considerably in the financial year it is important to note that our register is now relatively tightly held with the Board, management and our strategic partners together holding over 40% of shares on issue on both an undiluted and a fully diluted basis. It is also worth noting that the exercise of the current in-the-money options would realise an additional \$7.8m in cash that is potentially available to further accelerate our growth.

I thank my fellow directors and our management team for staying the course through a difficult period in the 2019 calendar year, several of whom worked without payment for an extended period and even invested their monies to support the Company before we turned the corner late last calendar year. While we're still only on the launchpad we are now in a strong overall position technically, commercially and corporately to pursue our high growth agenda.



**Leath Nicholson**

*Independent Non-Executive Chairman*

## CEO Report



**Mr Adam Gallagher**  
*Chief Executive Officer*

### **Dear fellow shareholders,**

The 2020 financial year has been a formation period for the Company as it transitioned from a niche IoT solution provider to adopting an expansive vision which involves supporting a wide range of IoT and software applications.

The Smart cities theme is receiving a rapidly increasing amount of mainstream attention and awareness with many countries now moving from conceptual pondering to practical application. 'Smart Cities' to us is an umbrella term under which all IoT applications can fit. Our existing applications in cold storage monitoring as well as our more recent projects in city infrastructure monitoring and operational management are each examples of smart city applications.

In Australia, we are seeing an increasing amount of market enquiry from all levels of government and infrastructure operators for technology vendors that can provide smart city applications which is a first practical step for these groups to understand what might be possible in terms of new technologies and who they should work with to develop them. The next stage will be tendering for smart city applications and we have positioned the Company to participate in this evolving process.

The market of IoT vendors is highly fragmented with most major technology groups watching the smaller innovators emerge and themselves concentrating on the services side to implement and support hardware networks or provide software platforms on which innovators can create new applications. The innovators normally focus on their domain expertise and offer solutions within an industry niche such as healthcare, environment, transport or energy.

CT1 was originally just another example of a domain innovator with its temperature monitoring solution and the Company experienced a similar commercialisation journey to many in the IoT space, where achieving large-scale rollouts with major groups takes a long time. While continuing to progress with this application we have sought to both reduce inherent business model risk and increase opportunity by building out our backend IoT platform to position the Company to support all types of IoT applications, including our own as well as third party solutions.

## CEO Report continued...

An IoT platform has three basic functions: to receive data, process that data and deliver it to the user. This seems simple, though in practice there is a myriad of data flows that need to be intelligently integrated and processed in a way that is practical, viable and ultimately useful, which to a user means timely and intuitive. We have hired and incentivised some of the best minds in IoT with broad experience in developing and supporting applications across a broad number of industries to complement and build out our existing team with a view to becoming a key supporting participant to the IoT industry. On the hardware side sensors are becoming increasing smaller, smarter and cheaper with domain knowledge experts from all fields clamouring to create and implement their own particular IoT solution.

We want to help industry to innovate through providing a robust back-end IoT platform which we have named the 'MeridianCT Platform' on which innovators can develop, launch and maintain their IoT solutions. To do this we help customers to ensure that their hardware networks are optimised by incorporating the best available sensors, augmenting existing hardware, or even creating new sensors through our design and production capabilities. We then connect their data streams, add their AI or assist customers to source or develop new AI and then design, implement and support their front-end user interfaces across all devices from control rooms to smartphones.

We work closely with research, services and hardware partners to incorporate expertise, finance, 'boots on the ground' for large-scale deployments and other inputs as necessary to deliver the customer outcomes.

Notably in Q4 FY20, we were the first company in Australia to be accredited with Panasonic to load algorithms into their new smart camera. We are working with the University of NSW and Monash University as well as other research groups to ensure that our solutions carry the latest innovations available.

After a delay with COVID-19 restrictions we formally opened our office in China in mid-June. We have a small team of seven that work in concert on a daily basis with our Australian and Indian teams to address the starting opportunities that our strategic partners have assisted us to procure to gain initial traction in the China market.

## CEO Report continued...

As we complete these early projects and pass through their revenue hurdle we anticipate that we will establish a track record that allows us to pursue increasingly larger smart city projects. A key strategic objective is to provide our shareholders with positive exposure to the enormous smart city market in China.

As we are developing solutions for universal industry problems and opportunities, we are already seeing some positive cross-sell in the Australian market from prospective customers in government and industry that are looking at our China successes as they seek to similarly digitise their operations.

With the movement restrictions in place at this point, we have been a little hamstrung in our capacity to be able to pursue new local opportunities as aggressively as we otherwise would have liked. Our US new business has also stalled though we believe that we'll see some positive movement by the end of the calendar year.

In the last twelve months we have more than doubled the number of temperature monitoring tags and we expect to do better than that in the coming twelve months. While this side of the business has not delivered to expectations in the past, it certainly remains an ongoing part of our growing product suite and we are steadily approaching the larger rollouts that the Company has always anticipated would land at some point.

While we pursue these opportunities, we have added several other irons in the fire in regard to innovative industry IoT solutions and we will continue to broaden our market offering that is being progressively developed on a project basis.

We have an excellent team of people and in recent months we have bedded down our internal systems to provide for sustained scalability to ensure that there are no operational or resourcing impediments to our continued growth.

Our vision of 'making data, make sense' sums up the objective of where the IoT sector as a whole needs to be heading to enable business and government to continue to digitise effectively, without drowning in an ever-increasing sea of data and the associated communications costs from the streaming of that data across their organisations.

## **CEO Report continued...**

We are living our name's sake of 'Constellation Technologies' that solve this mounting global challenge by embracing, collating, learning from and practically applying the expanding cosmos of data for the tailored benefit of our customers and their stakeholders.



**Adam Gallagher**  
*Chief Executive Officer*

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## Directors Report

The directors are pleased to present their report on the consolidated entity consisting of Constellation Technologies Limited (the 'Company') and the entities it controls (the 'Consolidated entity' or 'Group') for the year ended 30 June 2020.

### Directors and Company Secretary

The following persons were directors of Constellation Technologies Limited during the whole of the financial year and up to the date of this report:

Mr Adam Gallagher, Executive Director and Chief Executive Officer

Mr Leath Nicholson, Independent Non-Executive Chairman

Mr Anoosh Manzoori, Independent Non-Executive Director

The following persons held office as Company Secretary of Constellation Technologies Limited during the financial year and up to the date of this report or their date of resignation as noted:

Ms Terri Bakos – appointed 17 December 2019

Mr Adam Gallagher – resigned 17 December 2019

Mr Phillip Hains – resigned 17 December 2019

### Principal activities

The principal activities of the Group are to bring innovative solutions to market which leverage cloud, internet of things (IoT), edge-computing sensors, big data, analytics, machine learning (ML), artificial intelligence (AI) and other advanced technologies.

### Review of operations

#### *Financial results*

Reported revenue for the year has increased 19.43% to \$691,484 (2019: \$579,990) as a result of the Group's expansion into China. The Group however recorded a loss for the year of \$2,923,876 (2019: \$2,177,277), a 34.29% increase over the prior year. During the year, the Group did however incur several large abnormal expenses which impacted its result. Adjusting for these abnormal items and share based payments made to employees and contractors for the year (and corresponding year) results in an unaudited normalised loss for the year, before tax of \$1,371,757 – an improvement of 19.7% over the prior year normalised result.

## Directors Report continued...

	2020	2019
	\$	\$
<b>Loss before income tax (audited)</b>	<b>(2,923,876)</b>	<b>(2,177,277)</b>
Share-based payments (non-cash)	1,231,492	437,236
Settlement to previous management & suppliers	121,067	-
Legal and mediation	60,209	36,621
Capital raising associated costs	45,095	-
China project	94,256	-
<b>Normalised Loss before income tax (unaudited)</b>	<b>(1,371,757)</b>	<b>(1,703,420)</b>

During the past 18 months, the Group had been involved in protracted negotiations with previous management and suppliers which has resulted in settlements and costs in the vicinity of \$180k during the current year.

With the Group's move into the Asian region, specifically China, the Group undertook several capital raising activities and incurred specific formation costs that were one-off in nature.

The Group had net assets of \$4,426,941 as at 30 June 2020 (2019: net deficiency of assets of \$550,540). As at 30 June 2020, the Group had cash reserves of \$4,405,173 (2019: \$40,854). Noting the additional cash raised during the year, the directors are of the view that the Group will continue to be able to pay its debts as and when they fall due and have prepared the financial report on a going concern basis.

### Operations

On 27 May 2020, shareholders resolved to change the Company's name from CCP Technologies Limited to Constellation Technologies Limited.

Information on the operations of the Group and its business strategies and prospects is set out in the Chairman's Letter CEO Report section of this annual report.

### Dividends

No dividends have been paid or proposed by the Group during or since the end of the financial year (2019: nil).

### Significant changes in the state of affairs

Other than the information set out in the Chairman's letter, CEO's Report and activities section of this annual report, there are no significant changes in the state of affairs that the Group has not disclosed.

### Event since the end of the reporting period

On 29 July 2020, the Company announced that ASIC had consented to the resignation of BDO Audit Pty Ltd as the Group's auditors. PKF Brisbane Audit commenced as the Group's auditors for the FY20 audit. The Board intends to seek confirmation of PKF Brisbane Audit as the Group's auditors at the 2020 Annual General Meeting.

## Directors Report continued...

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

### Likely developments and expected results of operations

Other than the information set out in the Chairman's letter and review of operations and activities section of this annual report, there are no likely developments or details on the expected results of operations that the Group has not disclosed.

### Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

### Our Board

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



#### Mr Adam Gallagher

*Executive Director and Chief Executive Officer*

#### Experience:

Adam is a technology leader in IoT and digitalisation with a corporate focus on creating sustained, rapid growth through innovation and commercialisation complemented by strategic corporate transactions.

As a director of Envirosuite Limited for 8 years, he was instrumental in building, funding, and transitioning the Company across a series of acquisitions and corporate transactions from a \$2.5m Australian environmental consulting business with a pilot IoT platform, to a \$200m international technology company with 500 clients across more than a dozen countries.

Adam has previously worked in corporate finance, funds management, stock exchanges, digital media in public companies with a focus on creating and managing catalytic growth opportunities.

#### Qualifications:

- Bachelor of Economics
- Master in Commerce
- Graduate Diploma in Information Systems
- Graduate Diploma in Applied Corporate Governance

#### Date of appointment:

1 June 2015

#### Other current directorships:

None

#### Former directorships in last 3 years:

Envirosuite Limited (ASX:EVS), until 31 July 2020

#### Committees:

None

#### CT1 Ordinary Shares:

26,482,360

#### CT1 Options:

24,729,747

## Directors Report continued...



### Mr Leath Nicholson

*Independent Non-Executive Chairman*

#### Experience:

Leath was a corporate partner at a leading Melbourne law firm, gaining experience with a breadth of ASX listed entities, before co-founding Foster Nicholson (now Nicholson Ryan) in 2008. Leath's principal clients continue to be ASX listed companies and high net worth individuals. Leath has particular expertise in mergers and acquisitions, IT based transactions, and corporate governance.

#### Qualifications:

- Bachelor of Economics (Honours)
- Bachelor of Laws (Honours)
- Master of Laws (Commercial Law)

#### Date of appointment:

14 October 2016

#### Other current directorship:

AMA Group Limited (ASX:AMA), since 23 December 2015

#### Former directorships in last 3 years:

Money3 Corporation Limited (ASX:MNY) until 15 November 2019

#### Committees:

Chair – Remuneration & Nomination Committee

Member – Audit & Risk Committee

#### CT1 Shares:

17,930,084

#### CT1 Options:

17,033,613

## Directors Report continued...



### **Mr Anooch Manzoori**

*Independent Non-Executive Director*

#### **Experience:**

Anoosh has over 20 years' experience as an entrepreneur, investor, board member and advisor, specialising in helping fast growth technology companies. Following the completion of his tertiary studies Anoosh founded several technology companies including one of Australia's largest cloud-hosting platforms that he exited via a highly successful trade sale. He is also a director of investment and corporate advisory firm Shape Capital Pty Ltd.

Anoosh leverages his experience and strong international network in the technology sector in both corporate and capital markets to help shape and optimise CT1's continued growth.

#### **Qualifications:**

- Bachelor of Science
- Graduate Diploma in Business Enterprise, Business

#### **Date of appointment:**

14 October 2016

#### **Other current directorships:**

First Growth Funds Ltd, since 14 December 2017. Company delisted from the ASX on 4 December 2019 and joined the Canadian Stock Exchange.

#### **Former directorships in last 3 years:**

YPB Group Limited (ASX:YPB), until 4 June 2019

#### **Committees:**

Chair – Audit & Risk Committee  
Member – Remuneration & Nomination Committee

#### **CT1 Shares:**

10,260,506

#### **CT1 Options:**

9,201,682

## Directors Report continued...

### Our management team



#### **Ms Terri Bakos**

*Company Secretary & Chief Financial Officer*

#### **Experience:**

Terri has over 20 years' experience providing company secretarial, financing accounting and compliance services to ASX Listed and unlisted public companies in the technology, financial services, automotive, mining and biotech sectors. She holds a Bachelor of Business in Accounting, is a Chartered Accountant and Chartered Secretary.



#### **Mr Kartheek Munigoti**

*General Manager*

#### **Experience:**

Kartheek Munigoti is an IoT expert with 18 years' experience in creating and managing technology products and businesses and combines a deep knowledge of IoT solutions with experience running technology businesses.

Kartheek's experience and skill-set covers software, firmware and hardware development. Kartheek has been directly involved and/or responsible for the commercialisation of innovative products and services. This includes concept, design, product development and deployment.

### Meetings of directors

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
<b>Mr Adam Gallagher</b>	8	8	-	-	-	-
<b>Mr Leath Nicholson</b>	8	8	2	2	1	1
<b>Mr Anoosh Manzoori</b>	7	8	2	2	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

## Directors Report continued...

### Shares under option

#### Unissued ordinary shares

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

#### Options

<b>Grant Date</b>	<b>Recipients</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
18/11/2016	Director	15/12/2020	\$0.100	2,000,000	2,000,000
8/11/2016	Director	15/12/2020	\$0.100	2,000,000	2,000,000
15/12/2016	Consultants	15/12/2019	\$-	-	1,533,000
10/11/2017	Director	25/10/2021	\$0.100	1,446,550	1,446,550
11/12/2018	Investors - free attaching	10/12/2020	\$0.030	19,890,191	43,062,350
14/11/2019	Rights Issue - free attaching	14/11/2022	\$0.015	426,582,657	-
29/05/2020	Employees	29/05/2023	\$0.015	19,285,714	-
29/05/2020	Directors	29/05/2023	\$0.015	39,142,858	-
19/06/2020	Sophisticated Investor	18/06/2023	\$0.015	16,800,000	-
				<u>527,147,970</u>	<u>50,041,900</u>

#### Performance Rights

<b>Grant Date</b>	<b>Recipients</b>	<b>Vesting Date</b>	<b>Expiry Date</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
13/01/2020	Employees	13/01/2021	13/04/2022	3,000,000	-
13/01/2020	Employees	13/01/2022	13/04/2022	3,000,000	-
1/02/2020	Employees	1/02/2021	1/05/2021	375,592	-
				<u>6,375,592</u>	<u>-</u>

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

#### Shares issued on the exercise of options or rights

57,410,886 ordinary shares of Constellation Technologies Limited were issued during the year ended 30 June 2020 on the exercise of options granted.

### Insurance of officers and indemnities

#### Insurance of officers

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

## **Directors Report continued...**

### *Indemnity of auditor*

Constellation Technologies Limited has not, during or since 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 company**

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

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

### **Non-audit services**

During the year ended 30 June 2020, the Group did not engage the external auditor to provide non-audit services.

### **Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

## Remuneration report (audited)

The directors present the Constellation Technologies Limited 2020 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- a) Principles used to determine the nature and amount of remuneration
- b) Details of remuneration
- c) Service agreements
- d) Share-based compensation
- e) Relationship between the remuneration policy and group performance
- f) Key management personnel disclosures

### (a) Principles used to determine the nature and amount of remuneration

#### Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract and retain highly skilled directors and executives.

#### Remuneration committee

The Board has a Remuneration Committee comprising the following members:

- Mr Leath Nicholson, Non-Executive Director (chair)
- Mr Anoosh Manzoori, Non-Executive Director

Mr Adam Gallagher, CEO has a standing invitation to attend Committee meetings, however he is not allowed to vote.

The Committee assesses the appropriateness of the nature and amounts of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

Officers are given the opportunity to receive their base emoluments in a variety of forms including cash, salary sacrifice and fringe benefits. It is intended that that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Group.

#### Remuneration structure

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high-quality board and executive team by remunerating directors and other key management personnel (KMP) fairly and appropriately with reference to relevant employment market conditions.

## **Remuneration report continued...**

To assist in achieving this objective, the Committee considers the nature and amount of executive directors' and officers' emoluments alongside the Group's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key executives, the attraction of quality management to the Group and performance incentives, which allow executives to share the rewards of the success of the Group.

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

### **Non-executive directors**

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

The constitution of Constellation Technologies Limited and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the Group in a General Meeting to be apportioned amongst them in such manner as the directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for directors' fees is for a total of \$400,000 per annum. This amount was approved at the 2020 General Meeting held on 27 May 2020 and is an increase from \$250,000 previously approved by shareholders.

If a non-executive director performs extra services which in the opinion of the directors are outside the scope of the ordinary duties of the director, the Group may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above. Non-executive directors are entitled to be paid travel and other expenses properly incurred by them in attending directors or General Meetings of the Group or otherwise in connection with the business of the Group.

### **Executive directors and senior management**

The Group aims to reward executive directors and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the group and to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the executives with those of shareholders;
- link reward with strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

## **Remuneration report continued...**

The remuneration of the executive directors and senior management may from time-to-time be fixed by the Remuneration Committee. As noted above, the policy is to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short- and long-term incentives. The level of fixed remuneration is set to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the committee, and the process consists of a review of group-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the committee, having regard to the overall performance of the Group and the performance of the individual during the year.

### **Employment and consultancy contracts**

The Group utilises a mixture of employment and consultancy contracts to provide the Group with the flexibility to operate effectively in a dynamic industry.

It is the Board's policy that agreements are entered into with all directors, executives and employees.

Details of notice periods and termination clauses are disclosed under Section c) below.

### **Voting and comments made at the last annual general meeting**

At the last annual general meeting (AGM), the Group received approval for the remuneration report adopted for the 2019 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

### **(b) Details of remuneration**

Mr Adam Gallagher, Executive Director and Chief Executive Officer

Mr Leath Nicholson, Independent Non-Executive Chairman

Mr Anoosh Manzoori, Independent Non-Executive Director

Key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group receiving the highest remuneration.

Details of the remuneration of the KMP of the Group are set out in the following tables.

Apart from Directors, the following persons were considered other KMP during the financial year:

- Mr Kartheek Munigoti, General Manager and Chief Technical Officer
- Ms Terri Bakos, Company Secretary & Chief Financial Officer (appointed Company Secretary 17 December 2019 & CFO 1 January 2020)

## Remuneration report continued...

### Amounts of remuneration

The following table shows details of remuneration expenses recognised for the Group's KMP for the year ended 30 June 2020.

2020	Cash salary & fees \$	Short-term benefits		Annual leave \$	Post-employment benefits Superannuation \$	Share-based payments		Total \$
		Cash bonus \$	Non-monetary benefits \$			Shares \$	Options \$	
<b>Non-executive directors</b>								
Leath Nicholson <sup>1</sup> Anoosh Manzoori <sup>2</sup>	46,667	-	-	-	-	30,200	65,219	142,086
	40,000	-	-	-	-	29,000	62,627	131,627
<b>Executive directors</b>								
Adam Gallagher <sup>3</sup>	135,000	-	-	-	-	155,000	365,693	655,693
<b>Other KMP</b>								
Kartheek Munigoti Terri Bakos <sup>4</sup>	156,000	-	-	(22,356)	14,799	28,125	62,474	239,042
	36,923	-	-	3,289	3,508	-	49,979	93,699
<b>Total compensation</b>	<b>414,590</b>	<b>-</b>	<b>-</b>	<b>(19,067)</b>	<b>18,307</b>	<b>242,325</b>	<b>605,992</b>	<b>1,262,147</b>

<sup>1</sup> 12,857,142 shares with a deemed value of \$90,000 and a free-attaching option were issued to an associate of Mr Nicholson during the year. 4,314,285 shares (with a 1:1 free attaching option) were issued in lieu of \$20,000 of cash-based directors fees for this financial year and \$ 10,200 of directors fees for the prior year. The balance of the equity was issued in lieu of \$59,800 of fees owing to related party entities of Mr Nicholson for services provided to the Company during this financial year. Refer related party transactions note 15.

<sup>2</sup> 4,142,858 shares with a deemed value of \$29,000 and a 1:1 free-attaching option were provided to an associate of Mr Manzoori during the year in lieu of receiving \$ 16,667 of cash-based directors fees for this financial year and \$12,334 for the prior year.

## Remuneration report continued...

<sup>3</sup> 22,142,858 shares with a deemed value of \$155,000 and a 1:1 free-attaching option were issued to an associate of Mr Gallagher during the year in lieu of receiving \$45,000 of cash-based remuneration for this financial year and \$110,000 for the prior year. The full value of the equity has been expensed in the current year as it formed compensation for services performed during the current and prior years and was subject to shareholder approval at a general meeting of shareholders held 27 May 2020. The equity will vest upon Mr Gallagher stepping down as CEO. For accounting purposes this has been estimated to be within 2 years and is of no way a reflection of his estimate date of termination of employment with the Company

<sup>4</sup> Compensation since commencing with the Company 1 January 2020.

2019	Cash salary & fees	Short-term benefits			Post-employment benefits	Share-based payments		Total
		Cash bonus	Non-monetary benefits	Annual leave	Superannuation	Shares	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
Leath Nicholson	23,000	-	-	-	-	37,000	8,075	68,075
Anoosh Manzoori	15,000	-	-	-	-	35,000	8,075	58,075
<b>Executive directors</b>								
Adam Gallagher	15,000	-	-	-	-	35,000	7,826	57,826
Michael White <sup>1</sup>	112,238	-	-	-	7,980	91,661	(5,697)	206,182
Anthony Rowley <sup>1</sup>	96,617	-	-	-	7,191	90,661	(5,697)	188,772
<b>Other KMP</b>								
Kartheek Munigoti	126,000	-	-	14,889	11,970	77,710	-	230,569
<b>Total KMP compensation</b>	<b>387,855</b>	<b>-</b>	<b>-</b>	<b>14,889</b>	<b>27,141</b>	<b>367,032</b>	<b>12,582</b>	<b>809,499</b>

<sup>1</sup> Resigned 4 February 2019

## Remuneration report continued...

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
<b>Non-executive directors</b>						
Leath Nicholson	33	88	-	-	67	12
Anoosh Manzoori	30	86	-	-	70	14
<b>Executive directors</b>						
Adam Gallagher	21	86	-	-	79	14
Michael White	-	57	-	43	-	-
Anthony Rowley	-	53	-	47	-	-
<b>Other KMP</b>						
Kartheek Munigoti	65	100	-	-	35	-
Terri Bakos	45	-	-	-	55	-

### (c) Service agreements

#### Adam Gallagher

The Group has entered into a service arrangement with Famile Pty Ltd to provide the services of Mr Adam Gallagher as an Executive Director and Chief Executive Officer of the Group commencing on 9 February 2019.

The key terms of the arrangement are:

- Current fee of \$180,000 per annum.
- No termination payment other than statutory requirements.
- 6 month notice period.

#### Leath Nicholson

The Group has entered into a service arrangement with Catellen Pty Ltd to provide the services of Mr Leath Nicholson as Non-Executive Chairman of the Group commencing on 14 October 2016. The key terms of the arrangement are:

- Current fee of \$70,000 per annum.
- No termination payment.
- No notice period.

## **Remuneration report continued...**

### **Anoosh Manzoori**

The Group has entered into a service arrangement with Shape Capital Pty Limited to provide the services of Mr Anoosh Manzoori as a Non-Executive Director of the Group commencing on 14 October 2016. The key terms of the arrangement are:

- Current fee of \$60,000 per annum.
- No termination payment.
- No notice period.

### **Kartheek Munigoti**

The Group has entered into a permanent employment contract with Mr Kartheek Munigoti as General Manager and Chief Technical Officer (CTO). The key terms of the contract are:

- Current salary of \$156,000 per annum plus statutory superannuation contributions.
- No termination payment other than statutory requirements.
- 6 month notice period, except where there is a change in control and the notice period is reduced to 3 months.

### **Terri Bakos**

The Group has entered into a permanent part-time employment contract with Ms Terri Bakos as Company Secretary and Chief Financial Officer (CFO). The key terms of the contract are:

- Salary of \$80,000 per annum plus statutory superannuation contributions.
- No termination payment other than statutory requirements.
- 3 month notice period.

## Remuneration report continued...

### (d) Equity instruments

#### I. Shares and options granted as compensation.

Details on Shares and Options over ordinary shares in the Company that were granted as compensation to each Key Management Person during the reporting period and details of options that vested during the reporting period are as follows:

##### Shares

Name	Grant Date	Vesting Date	Qty	Issue Price	Value of Shares Granted	Year in which shares vests
Leath Nicholson	27/05/2020	29/05/2020	4,314,285	\$0.0070	\$30,200	FY20
Adam Gallagher	27/05/2020	29/05/2022	22,142,858	\$0.0070	\$155,000	FY22
Anoosh Manzoori	27/05/2020	29/05/2020	4,142,858	\$0.0070	\$29,000	FY20
Kartheek Munigoti	1/05/2020	29/05/2020	3,571,429	\$0.0070	\$25,000	FY20
Kartheek Munigoti	1/05/2020	29/05/2021	3,571,429	\$0.0070	\$25,000	FY21
Kartheek Munigoti	1/05/2020	29/05/2022	3,571,428	\$0.0070	\$25,000	FY22

##### Options

Name	Grant Date	Vesting Date	Expiry Date	Qty	Exercise Price	Fair value per option at grant date	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Year in which option vests
					\$	\$	\$	\$	\$	
Leath Nicholson	27/05/2020	29/05/2020	29/05/2023	4,314,285	0.0150	0.0150	65,219	-	-	FY20
Adam Gallagher	27/05/2020	29/05/2022	29/05/2023	22,142,858	0.0150	0.0170	365,693	-	-	FY22
Anoosh Manzoori	27/05/2020	29/05/2020	29/05/2023	4,142,858	0.0150	0.0150	62,627	-	-	FY20
Kartheek Munigoti	1/05/2020	29/05/2020	29/05/2023	10,714,286	0.0150	0.0050	62,474	-	-	FY20
Terri Bakos	1/05/2020	29/05/2020	29/05/2023	8,571,428	0.0150	0.0050	49,979	-	-	FY20

All options have a life of 3 years from 29 May 2020 and expire on their expiry date.

The value of shares and fair value of options granted as compensation are expensed as remuneration over their vesting period, except for Mr Gallagher. Shares and options issued to Mr Gallagher were expensed in the current year as they formed compensation for services performed during the current and prior years. The equity will vest upon Mr Gallagher stepping down as CEO. For accounting purposes this has been estimated to be within 2 years and is of no way a reflection of his estimate date of termination of employment with the Company.

## Remuneration report continued...

Further information can be found in the Share-based payment note 16.

### II. Exercise of options granted as compensation.

No options granted as compensation during the current or prior years were exercised during the year by Key Management Personnel.

### III. Movement in options granted as compensation.

Refer to movement in Key Management Personnel disclosures below.

## (e) Relationship between the remuneration policy and group performance

### Statutory performance indicators

The factors that are considered to affect shareholder return in the past five years are summarised below:

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	\$	\$	\$	\$	\$
Share price at end of year	0.032	0.018	0.010	0.025	0.016
Market capitalisation at the end of the year (\$M)	31.2	8.92	3.50	7.10	2.52
Net profit/(loss) for the financial year	(2,923,876)	(2,177,277)	(2,833,837)	(3,758,069)	(376,510)
Dividends paid	Nil	Nil	Nil	Nil	Nil

Fixed remuneration is not linked to Group performance. It is set to the individuals' role, responsibilities and performance and remuneration levels for similar positions in the market.

The Board do not believe that financial targets such as net profit are the only appropriate performance measure for the granting of short and long term incentives to KMP. Other financial targets such as cost reduction and key performance indicators such as projects/strategic targets, executive behavior and customer experience are equally as important for a Group in this stage of its life cycle and have a direct and indirect impact on shareholder returns.

During the year, the Group granted equity to KMP's in lieu of cash-based fixed remuneration or as a fee for service outside of employment contracts.

Share prices are subject to the influence of market sentiment toward the sector in which it operates and increase and decreases in the share price may occur independently of executive performance or remuneration.

## Remuneration report continued...

### (f) Key management personnel disclosures

#### Share holdings

The number of shares in the parent entity held during the financial year ended 30 June 2020 by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Received on exercise of options	Other changes <sup>1</sup>	Balance at the end of the year	Vested
<b>Non-executive directors</b>						
Leath Nicholson	2,176,471	4,314,285	-	11,439,328	17,930,084	17,930,084
Anoosh Manzoori	2,058,824	4,142,858	-	4,058,824	10,260,506	10,260,506
<b>Executive directors</b>						
Adam Gallagher	2,981,772	22,142,858	-	1,357,730	26,482,360	4,339,502
<b>Other KMP</b>						
Kartheek Munigoti	25,341,882	10,714,286	-	5,000,000	41,056,168	33,913,311
Terri Bakos	-	-	-	-	-	-
	<b>32,558,949</b>	<b>41,314,287</b>	<b>-</b>	<b>21,855,882</b>	<b>95,729,118</b>	<b>66,443,403</b>

<sup>1</sup>Other changes reflect changes in holdings as a result of acquisitions outside of remuneration activities, i.e. on and off market acquisitions, compensation for services provided by related parties and subscriptions under rights issue.

#### Option holdings

The number of options over ordinary shares in the parent entity held during the financial year ended 30 June 2020 by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

## Remuneration report continued...

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes <sup>1</sup>	Balance at the end of the year	Vested and exercisable
<b>Non-executive directors</b>						
Leath Nicholson	2,000,000	4,314,285	-	10,719,328	17,033,613	17,033,613
Anoosh Manzoori	2,000,000	4,142,858	-	3,058,824	9,201,682	9,201,682
<b>Executive directors</b>						
Adam Gallagher	1,446,550	22,142,858	-	1,140,339	24,729,747	2,586,889
<b>Other KMP</b>						
Kartheek Munigoti	-	10,714,286	-	5,000,000	15,714,286	15,714,286
Terri Bakos	-	8,571,428	-	-	8,571,428	8,571,428
	<b>5,446,550</b>	<b>49,885,715</b>	<b>-</b>	<b>19,918,491</b>	<b>75,250,756</b>	<b>53,107,898</b>

<sup>1</sup>Other changes reflect changes in holdings as a result of acquisitions outside of remuneration activities, i.e. on and off market acquisitions, compensation for services provided by related parties and subscriptions under rights issue.

### *Transactions with KMP and related parties*

Transactions between key management personnel related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated. The following transactions occurred during the year ended 30 June 2020:

## Remuneration report continued...

	During the Year 2020 \$	Outstanding at end of Year 2020 \$	During the Year 2019 \$	Outstanding at end of Year 2019 \$
Office rent and outgoings paid on an arm's length commercial basis to Lagoon Properties Pty Ltd, company associated with former directors Michael White and Anthony Rowley in respect of offices in St Kilda.	-	-	16,788	1,416
Office rent and outgoings paid on an arm's length commercial basis to FNJ Properties Pty Ltd, a company associated with director, Leath Nicholson in respect of the Groups's Melbourne Offices. Compensation received in cash and equity.	33,000	-	6,000	6,600
Consultancy fees paid to Skantech Pty Ltd, a company associated with Kartheek Munigoti, in respect of the provision of IT technical support services.	18,982	-	64,364	6,896
Legal fees paid on normal commercial terms to Nicholson Ryan Lawyers Pty Ltd, a company associated with director Leath Nicholson. Compensation received in cash and equity.	131,650	-	94,201	95,897
Share issue cost paid to First Growth Funds Limited, a company associated with director, Anoosh Manzoori	-	-	33,675	37,042
Directors fees payable to Catellen Pty Ltd, a company associated with Leath Nicholson	-	5,833	-	27,408
Directors fees payable to Famile Pty Ltd, a company associated with Adam Gallagher	-	-	-	15,125
Directors fees payable to Shape Capital Pty Ltd, a company associated with Anoosh Manzoori	-	-	-	15,747

**[This concludes the remuneration report, which has been audited]**

**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 on the following page.

This report is made in accordance with a resolution of directors.

**Mr Adam Gallagher**

*Executive Director and Chief Executive Officer*



Melbourne

27 August 2020

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# Auditors Independence Declaration

PKF Brisbane Audit



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CONSTELLATION TECHNOLOGIES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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

PKF BRISBANE AUDIT

SHAUN LINDEMANN  
PARTNER

BRISBANE  
27 AUGUST 2020

PKF Brisbane Audit  
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## Corporate governance statement

Constellation Technologies Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Constellation Technologies Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement dated as at 30 June 2020 reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 Corporate Governance Statement was approved by the Board on 27 August 2020. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at <https://www.ct1limited.com>.

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	2	691,484	578,990
Cost of sales		(403,085)	(353,118)
<b>Gross profit/(loss)</b>		<b>288,399</b>	<b>225,872</b>
Other gains/(losses) - net	3a	84,779	(2,171)
Distribution costs		(16,662)	(26,424)
General and administrative expenses	3b	(3,196,553)	(2,155,512)
Research and development expenses		(77,562)	(157,077)
Selling and market expenses		(6,646)	(62,586)
<b>Operating loss</b>		<b>(2,924,245)</b>	<b>(2,177,898)</b>
Finance income		1,759	621
Finance expense		(1,390)	-
Finance costs - net		369	621
<b>Loss before income tax</b>		<b>(2,923,876)</b>	<b>(2,177,277)</b>
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(2,923,876)</b>	<b>(2,177,277)</b>
<b>Net loss attributable to equity holders of the company</b>		<b>(2,923,876)</b>	<b>(2,177,277)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(100,615)	3,890
<b>Total comprehensive loss for the year, net of tax</b>		<b>(3,024,491)</b>	<b>(2,173,387)</b>
<b>Total comprehensive loss attributable to equity holders of the company</b>		<b>(3,024,491)</b>	<b>(2,173,387)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic/diluted earnings per share	18	(0.33)	(0.52)

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

# Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5a	4,405,173	40,854
Trade and other receivables	5b	77,182	90,507
Other	6a	224,945	24,144
<b>Total current assets</b>		<b>4,706,851</b>	<b>155,505</b>
<b>Non-current assets</b>			
Property, plant and equipment	6b	82,152	25,471
Other	6a	20,208	-
<b>Total non-current assets</b>		<b>102,360</b>	<b>25,471</b>
<b>Total assets</b>		<b>4,809,211</b>	<b>180,976</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5c	238,667	615,376
Borrowings	6c	43,746	-
Provisions	6d	38,526	36,312
Contract liabilities	2b	25,050	58,170
Liabilities directly associated with discontinued operations		21,658	21,658
<b>Total current liabilities</b>		<b>367,647</b>	<b>731,516</b>
<b>Non-current liabilities</b>			
Borrowings	6c	14,622	-
<b>Total non-current liabilities</b>		<b>14,622</b>	<b>-</b>
<b>Total liabilities</b>		<b>382,269</b>	<b>731,516</b>
<b>Net assets/(deficiency)</b>		<b>4,426,942</b>	<b>(550,540)</b>
<b>Equity</b>			
Contributed equity	7a	16,390,763	9,644,401
Reserves	7b	845,977	154,424
Accumulated losses		(12,809,798)	(10,349,365)
<b>Total equity</b>		<b>4,426,942</b>	<b>(550,540)</b>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Share Capital \$	Other reserves \$	Accumulated Losses \$	Total equity \$
At 1 July 2018		8,400,628	137,951	(8,172,088)	366,491
Loss for the period				(2,177,277)	(2,177,277)
Other comprehensive income		-	3,890	-	3,890
<b>Total comprehensive loss for the period</b>		-	3,890	(2,177,277)	(2,173,387)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued, net of transaction costs		1,243,773	-	-	1,243,773
Share based payments		-	12,583	-	12,583
		<b>1,243,773</b>	<b>12,583</b>	<b>-</b>	<b>1,256,356</b>
<b>Balance at 30 June 2019</b>		<b>9,644,401</b>	<b>154,424</b>	<b>(10,349,365)</b>	<b>(550,540)</b>
At 1 July 2019		9,644,401	154,424	(10,349,365)	(550,540)
Loss for the period		-	-	(2,923,876)	(2,923,876)
Other comprehensive income		-	(100,615)	-	(100,615)
<b>Total comprehensive loss for the period</b>		-	(100,615)	(2,923,876)	(3,024,491)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued, net of transaction costs		7,209,805	-	-	7,209,805
Write-back of equity	7	(463,443)	-	463,443	-
Share based payments		-	792,168	-	792,168
		<b>6,746,362</b>	<b>792,168</b>	<b>463,443</b>	<b>8,001,973</b>
<b>Balance at 30 June 2020</b>		<b>16,390,763</b>	<b>845,977</b>	<b>(12,809,798)</b>	<b>4,426,942</b>

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows related to operating activities</b>			
Receipts from customers		662,392	670,922
Payments to suppliers and employees		(2,670,838)	(1,934,565)
Interest paid		(1,390)	-
Other income receipts		87,029	-
<b>Net operating cash flows</b>	<b>8</b>	<b>(1,922,807)</b>	<b>(1,263,643)</b>
<b>Cash flows relating to investing activities</b>			
Payment for purchases of plant and equipment		(22,987)	(5,755)
Interest received		1,759	621
Payments for deposits		(21,122)	-
<b>Net investing cash flows</b>		<b>(42,350)</b>	<b>(5,134)</b>
<b>Cash flows relating to financing cash flows</b>			
Proceeds from issue of equity		6,534,277	852,795
Share issue transaction costs		(104,186)	-
<b>Net financing cash flows</b>		<b>6,430,093</b>	<b>852,795</b>
Net increase in cash and cash equivalents		4,464,936	(415,982)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>40,854</b>	<b>453,776</b>
Foreign exchange movement		(100,617)	3,060
<b>Cash and cash equivalents at the end of the year</b>		<b>4,405,173</b>	<b>40,854</b>

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

# Notes to the Consolidated Statements

For the year ended 30 June 2020

## 1. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board and the Chief Executive Officer of Constellation Technologies Limited. The Group has identified one reportable segment; that is, the sale and commercialisation of the IoT Solution. The segment details are therefore fully reflected in the body of the financial statements.

## 2. Revenue from contracts with customers

### a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following categories:

#### 2020

	Monitor tag revenue	Monitoring subscription revenue	Consulting revenue	Labour-hire revenue	Total
<b>Timing of revenue recognition</b>	\$	\$	\$	\$	\$
At a point in time	-	-	80,533	283,561	364,094
Over time	17,905	184,586	124,899	-	327,390
	<b>17,905</b>	<b>184,586</b>	<b>205,432</b>	<b>283,561</b>	<b>691,484</b>

#### 2019

	Monitor tag revenue	Monitoring subscription revenue	Consulting revenue	Labour-hire revenue	Total
<b>Timing of revenue recognition</b>	\$	\$	\$	\$	\$
At a point in time	-	-	162,195	154,000	316,195
Over time	49,164	213,631	-	-	262,795
	<b>49,164</b>	<b>213,631</b>	<b>162,195</b>	<b>154,000</b>	<b>578,990</b>

## Notes to the Consolidated Statements continued ...

### b) Liabilities related to contracts with customers

	2020	2019
	\$	\$
<b>Other gains/(losses)</b>		
Contract liabilities – deferred revenue on consulting contracts	25,050	58,170
	<b>25,050</b>	<b>58,170</b>

### c) Accounting policies

#### *I. Installation and use of monitor tags*

Revenue from the sale of the food temperature monitoring tags are recognised over time when the customer has access and thus control of the gadget and where the tag is considered distinct from other services provided to the customer. Contracts do not provide for discounts or rebates which give rise to variable consideration. Neither do they contain provision for warranties.

#### *II. Monitoring subscriptions*

Revenue from the sale of monitoring subscriptions is recognised on a straight-line basis over the subscription term.

#### *III. Consulting*

Revenue from the provision of consulting and ad hoc maintenance services is recognised typically over time when the Group has an enforceable right to payment for its performance completed to date. Customer contracts will include a statement of work, which will describe the work to be completed and the time frame for its completion. These services are invoiced at the point in time of completion of performance obligations within the statement of work.

Therefore revenue is recognised when the performance obligation is completed.

#### *IV. Labour hire*

Revenue from the provision of labour hire services is recognised on a straight-line basis over the term of the hire agreement.

#### *V. Critical judgements in allocating the transaction price*

Management allocates the transaction price to each performance obligation based on an assessment of work completed at each reporting date for consulting revenue. Due to variations between each contract, up front payments and changes to projects during the term of engagement, judgement is used in estimating the completion of performance obligations and allocating the transaction price to each performance obligation.

## Notes to the Consolidated Statements continued ...

### VI. Customer contract with multiple performance obligations

The Group frequently enters into multiple contracts with the same customer and where that occurs the Group treats those arrangements as one contract if the contracts are entered into at or near the same time and are commercially interrelated. The Group does not consider contracts closed more than three months apart as a single contract.

The Group's subscription contracts are combining an obligation to receive a monitor tag and customer support and monitoring services. The provision of monitor tags is treated as a separate performance obligation to the services provided. As a result, the total transaction price for a customer contract is allocated amongst the distinct performance obligations based on their relative stand-alone selling prices. Where the stand-alone prices are highly variable, the Group applies a residual approach.

### VII. Incremental costs of obtaining customer contracts

Commissions on obtaining any customer contracts are capitalised and amortised over the term, where the term is greater than 12 months.

### VIII. Financing components

The group does not recognise adjustments to transition prices or contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed 12 months.

## 3. Expense items

### a) Other gains/(losses)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Government COVID-19 cash incentives	83,812	-
Other non-operating income	3,217	-
Net foreign exchange (losses)	(2,250)	(2,171)
	<b>84,779</b>	<b>(2,171)</b>

## Notes to the Consolidated Statements continued ...

### b) Breakdown of expenses by nature

	Notes	2020 \$	2019 \$
<b>General and administrative expenses</b>			
Accounting and audit		90,949	220,874
Bad debts and expected credit losses		7,239	31,071
Computer costs		90,175	90,965
Consulting costs		114,783	163,414
Depreciation	i)	45,797	23,651
Employee benefits		852,537	616,300
Insurance		71,414	35,532
Investor relations		-	13,188
Legal		137,079	99,421
Listing and share registry		136,336	64,259
Occupancy		83,692	108,680
Patent costs		-	23,924
Share-based payments	16	1,231,492	437,236
Superannuation		49,328	47,829
Travel and entertainment		77,240	83,894
Other		208,792	95,274
		<b>3,196,553</b>	<b>2,155,512</b>

#### i. Depreciation

	2020 \$	2019 \$
Office Equipment	24,936	21,316
Plant and Equipment	988	2,335
Property – right of use	19,873	-
	<b>45,797</b>	<b>23,651</b>

## Notes to the Consolidated Statements continued ...

### 4. Income tax expense

#### a) Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
	\$	\$
Loss from continuing operations before income tax expense	(2,923,876)	(2,177,277)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(804,066)	(598,751)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	-	421
Employee leave obligations	-	(10,569)
Expected credit losses	-	1,412
Share-based payments expense	337,634	120,240
Superannuation liability	-	1,672
Unrealised foreign exchange movements	29,842	228
Subtotal	(436,590)	(485,347)
Difference in overseas tax rate	(6,350)	(9,591)
Tax losses and other timing differences for which no deferred tax asset is recognised	442,940	494,938
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

#### b) Tax losses

The Group does not recognise as a deferred tax asset carried forward tax losses. Deferred tax assets are recognised for deductible temporary differences only if the entities consider it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As at 30 June 2020, no deferred tax balances have been recognised (2019: nil).

Unused tax losses available to the Group are currently not known and have not been included as the Group has not yet calculated a reliable estimate of these losses.

## Notes to the Consolidated Statements continued ...

### 5. Financial assets and financial liabilities

#### a) Cash and cash equivalents

	2020	2019
	\$	\$
<b>Current assets</b>		
Cash at bank and on hand	4,405,173	40,854

#### *I. Reconciliation to cash flow statement*

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	2020	2019
	\$	\$
Balances as above	4,405,173	40,854
Balances as per statement of cash flows	4,405,173	40,854

#### *II. Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 20(j) for the Group's other accounting policies on cash and cash equivalents.

#### *III. Risk exposure*

The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## Notes to the Consolidated Statements continued ...

### b) Trade and other receivables

Notes	2020			2019		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Trade receivables	59,773	-	59,773	63,310	-	63,310
Provision for impairment	(7,027)	-	(7,027)	(5,136)	-	(5,136)
	<u>52,746</u>	<u>-</u>	<u>52,746</u>	<u>58,174</u>	<u>-</u>	<u>58,174</u>
Other receivables	24,436	-	24,436	32,333	-	32,333
<b>Total trade and other receivables</b>	<b><u>77,182</u></b>	<b><u>-</u></b>	<b><u>77,182</u></b>	<b><u>90,507</u></b>	<b><u>-</u></b>	<b><u>90,507</u></b>

#### i. Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 10(b).

#### ii. Other receivables

Other receivables principally comprises GST refundable.

### c) Trade and other payables

Notes	2020			2019		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Trade payables	130,659	-	130,659	491,049	-	491,049
Accrued expenses	81,097	-	81,097	48,960	-	48,960
Other payables	26,911	-	26,911	75,367	-	75,367
<b>Total trade and other payables</b>	<b><u>238,667</u></b>	<b><u>-</u></b>	<b><u>238,667</u></b>	<b><u>615,376</u></b>	<b><u>-</u></b>	<b><u>615,376</u></b>

## Notes to the Consolidated Statements continued ...

Trade payables are unsecured and are usually paid within 30 days of recognition.

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

### 6. Non-financial assets and liabilities

#### a) Other current assets

Notes	2020 Current \$	2020 Non- current \$	Total \$	2019 Current \$	2019 Non- current \$	Total \$
Prepayments	138,543	20,208	158,751	3,732	-	3,732
Consumables	46,634	-	46,634	-	-	-
Security deposits	39,318	-	39,318	20,412	-	20,412
	<b>224,495</b>	<b>20,208</b>	<b>244,703</b>	<b>24,144</b>	<b>-</b>	<b>24,144</b>

#### b) Property, plant & equipment

	Furniture & fittings \$	Plant & equipment \$	Property – right-of-use assets \$	Total \$
<b>At 30 June 2020</b>				
Cost or fair value	71,370	8,325	79,490	159,184
Accumulated depreciation	(53,429)	(3,732)	(19,872)	(77,033)
Net book amount	<b>17,941</b>	<b>4,593</b>	<b>59,618</b>	<b>82,152</b>
Opening net book value	19,591	5,880	-	25,471
Exchange differences	(595)	(298)	-	(893)
Additions	23,881	-	79,490	103,371
Disposals	-	-	-	-
Depreciation charge	(24,936)	(989)	(19,872)	(45,797)
<b>Closing net book value</b>	<b>17,941</b>	<b>4,593</b>	<b>59,618</b>	<b>82,152</b>

## Notes to the Consolidated Statements continued ...

	Furniture & fittings \$	Plant & equipment \$	Property – right-of-use assets \$	Total \$
<b>At 30 June 2019</b>				
Cost or fair value	48,083	8,623	-	56,706
Accumulated depreciation	(28,492)	(2,743)	-	(31,235)
Net book amount	<u>19,591</u>	<u>5,880</u>	<u>-</u>	<u>25,471</u>
Opening net book value	37,632	5,735	-	43,367
Exchange differences	(31)	63	-	32
Additions	10,796	3,100	-	13,896
Disposals	(7,490)	(683)	-	(8,173)
Depreciation charge	(21,316)	(2,335)	-	(23,651)
<b>Closing net book value</b>	<b><u>19,591</u></b>	<b><u>5,880</u></b>	<b><u>-</u></b>	<b><u>25,471</u></b>

### c) Borrowings

	2020			2019		
	Current \$	Non-current \$	Total \$	Current \$	Non-current \$	Total \$
Lease liability	43,746	14,622	58,368	-	-	-

### d) Employee benefit obligations

	2020			2019		
	Current \$	Non-current \$	Total \$	Current \$	Non-current \$	Total \$
Leave obligations	38,526	-	38,526	36,312	-	36,312

#### i. Leave obligations

The leave obligations cover the Group's liabilities for annual leave which are classified as short-term benefits, as explained in note 20(o).

The current portion of this liability includes all of the accrued annual leave. The entire amount of the provision of \$38,526 (2019: \$36,312) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

## Notes to the Consolidated Statements continued ...

### 7. Equity

#### a) Share capital

	30 June 2020 No.	30 June 2020 \$	30 June 2019 No.	30 June 2019 \$
Ordinary shares - fully paid	1,347,887,247	16,390,762	446,167,028	9,644,401
<i>Movement in ordinary shares</i>				
		Note	<b>No. of shares</b>	<b>\$</b>
<b>Balance at 1 July 2018</b>			<b>349,678,422</b>	<b>8,400,628</b>
Issue of securities at \$0.017 each - Directors			6,294,119	107,000
Issue of securities at \$0.023 each - ESOP			508,693	11,700
Issue of securities at \$0.027 each - Directors			6,715,648	181,322
Issue of securities at \$0.027 each - ESOP			2,878,135	77,710
Issue of securities at \$0.015 each - Consultants for services rendered			1,527,777	22,917
Issue of securities at \$0.025 each - Consultants for services rendered			960,183	24,004
Issue of securities at \$0.020 each - private placement		i)	43,062,350	395,295
Issue of securities at \$0.015 each - private placement			14,333,333	215,000
Issue of securities at \$0.015 each - share purchase plan			20,208,368	242,500
Less: Transaction costs arising on share issues				(33,675)
<b>Balance at 30 June 2019</b>			<b>446,167,028</b>	<b>9,644,401</b>
Issue of securities at \$0.013 each - ESOP			769,231	10,000
Issue of securities at \$0.019 each - ESOP			1,056,358	20,071
Issue of securities at \$0.015 each - ESOP			600,000	9,000
Issue of securities at \$0.007 each - ESOP			10,714,286	75,000
Issue of securities at \$0.007 each - Directors			39,142,858	274,000
Issue of securities at \$0.013 each - Consultants for services received			13,744,216	178,675
Issue of securities at \$0.0104 each - Consultants for services received			4,807,692	50,000
Issue of securities at \$0.007 each - Consultants for services received			21,428,571	150,000
Issue of securities at \$0.013 - private placement			44,430,252	577,593
Issue of securities at \$0.007 - rights issue			487,029,970	3,409,209
Issue of securities at \$0.007 - private placement			243,758,058	1,706,306
Exercise of options			57,410,886	841,168
Cancellation of shares			(23,172,159)	(463,443)
Transfer from share based payment reserve				63,366
Less: transaction costs			-	(154,586)
<b>Balance at 30 June 2020</b>			<b>1,347,887,247</b>	<b>16,390,761</b>

## Notes to the Consolidated Statements continued ...

### I. Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### II. Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in notes 7(b) and 16.

#### b) Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Share-based payments \$	Foreign currency translation \$	Total \$
<b>Balance at 1 July 2018</b>	<b>149,742</b>	<b>(11,791)</b>	<b>137,951</b>
Currency translation differences	-	3,890	3,890
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>3,890</b>	<b>3,890</b>
Transactions with owners in their capacity as owners			
Share-based payment expenses	12,583	-	12,583
<b>At 30 June 2019</b>	<b>162,325</b>	<b>(7,901)</b>	<b>154,424</b>

## Notes to the Consolidated Statements continued ...

	Share-based payments \$	Foreign currency translation \$	Total \$
<b>Balance at 1 July 2019</b>	162,325	(7,901)	154,424
Currency translation differences	-	(100,615)	(100,615)
<b>Other comprehensive income for the year</b>	-	<b>(100,615)</b>	<b>(100,615)</b>
Transactions with owners in their capacity as owners			
Share-based payment expenses	792,168	-	792,168
<b>At 30 June 2020</b>	<b>954,493</b>	<b>(108,516)</b>	<b>845,977</b>

### *i. Nature and purpose of other reserves*

#### *Share-based payments*

The share-based payment reserve records items recognised as expenses on valuation of share options and rights issued to Key Management Personnel, other employees and eligible contractors.

#### *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled subsidiaries are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### *ii. Movement in options and rights*

	30 June 2020 No.	30 June 2020 \$	30 June 2019 No.	30 June 2019 \$
Options and rights	537,892,989	954,493	50,041,900	162,325

## Notes to the Consolidated Statements continued ...

	Note	Number of options	\$
<b>Balance at 1 July 2018</b>		<b>16,979,550</b>	<b>149,742</b>
Issue of options - Placement	a)	43,062,350	-
Forfeiture of options - Directors	b)	(10,000,000)	(11,393)
Share based payments		-	23,976
<b>Balance at 30 June 2019</b>		<b>50,041,900</b>	<b>162,325</b>
Issue of free attaching options under Rights Issue exercisable at \$0.15 each	c)	487,029,970	-
Cancellation of Options	d)	(23,172,159)	-
Exercise of Options		(1,333,000)	(63,366)
Issue of options - ESOP	e)	19,285,714	112,453
Issue of rights - ESOP	f)	3,000,000	30,000
Issue of rights - ESOP	g)	3,000,000	30,000
Issue of rights - ESOP	h)	375,592	10,000
Issue of options - Directors	i)	39,142,858	622,681
Issue of options - Supplier	j)	16,800,000	50,400
Exercise of Options	c)	(56,077,886)	-
Lapse of options - ESOP		(200,000)	-
<b>Balance at 30 June 2020</b>		<b>537,892,989</b>	<b>954,493</b>

*a) Unlisted options at \$0.030, expiring 6 December 2020*

On 11 December 2018, Constellation Technologies Limited issued 43,062,350 options free-attaching to the 43,062,350 private placement shares issued on 8 August 2018. As these options are outside the scope of AASB 2 *Share-based Payment*, no share-based payment expense was recognised for the issue of these unlisted options.

*b) Unlisted options at \$0.10, expiring 15 December 2020*

Options forfeited by Directors due to performance conditions not being met.

*c) Unlisted options at \$0.015, expiring 14 November 2022*

On 15 November 2019, Constellation Technologies Limited issued 487,029,970 options free-attaching to the 487,029,970 right-issue shares. As these options are outside the scope of AASB 2 *Share-based Payment*, no share-based payment expense was recognised for the issue of these unlisted options.

During the period, 56,077,886 of the options were exercised.

## Notes to the Consolidated Statements continued ...

- d) *Unlisted options at \$0.030, expiring 10 December 2020*  
Cancellation of free-attaching options granted to Penta Global,
- e) *Unlisted options at \$0.015, expiring 29 May 2023*  
Issued to Key Management Personal in lieu of cash based remuneration.
- f) *Unlisted performance rights vesting 13 January 2021, expiring 13 April 2022*  
Issued to other employees as part of the Company's long-term incentive program
- g) *Unlisted performance rights vesting 13 January 2022, expiring 13 April 2022*  
Issued to other employees as part of the Company's long-term incentive program
- h) *Unlisted performance rights vesting 1 February 2021, expiring 1 May 2021*  
Issued to other employees as part of the Company's long-term incentive program
- i) *Unlisted options at \$0.015, expiring 29 May 2023*  
Issued to directors in lieu of cash based remuneration and approved by shareholders at a General Meeting held 27 May 2020.
- j) *Unlisted options at \$0.015, expiring 18 June 2023*  
On 27 May 2020 shareholders approved the issue of 16,800,000 options to MRGL Pty Ltd in lieu of outstanding under-writing fees to the value of \$50,400 owing to MRGL Pty Ltd for the Rights Issued as disclosed in item c) above.

## Notes to the Consolidated Statements continued ...

### 8. Cash flow information

#### Reconciliation of profit/(loss) after income tax to net cash inflow (outflow) from operating activities

	2020 \$	2019 \$
<b>Loss for the year</b>	<b>(2,923,876)</b>	<b>(2,177,277)</b>
Adjustments for		
Depreciation	45,797	23,651
Finance costs	-	-
Finance income	(1,759)	(621)
Share-based payments	1,231,492	437,236
Unrealised net foreign currency (gains)/losses	-	830
Change in operating assets and liabilities		
Movement in trade and other receivables	13,483	620
Movement in other current assets	(128,993)	20,158
Movement in trade and other payables	(153,046)	412,022
Movement in contract liabilities	(33,120)	58,170
Movement in other operating liabilities	27,215	(38,432)
<b>Net cash inflow (outflow) from operating activities</b>	<b>(1,922,807)</b>	<b>(1,263,643)</b>

#### a) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Options and shares issued to employees under the 'employee share option plan' for no cash consideration - note 16.

### 9. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

## Notes to the Consolidated Statements continued ...

### a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Recognition of revenue and allocation of transaction price - note 2(c)(iii)
- Non-recognition of carry-forward tax losses - note 4(b)
- Estimation of employee benefit obligations - note 6(d)(i)
- Estimation of share-based payments - note 16
- Application of the going concern assumption - note 20(a)(iii)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In assessing the carrying value of the company's assets and liabilities, the directors have taken into consideration the economic outlook in light of the COVID-19 pandemic. The pandemic has not had a material impact on the Group's operations to date and therefore no additional provisions specific to the pandemic have been taken up in the Group's accounts. At this stage, the directors do not believe the pandemic will have a material impact on the Group's operations in the future due to its diversification of operations in Australia and China.

### 10. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

The Group's risk management is predominantly controlled by the Board. The Board monitors the Group's financial risk management policies and exposures and approves substantial financial transactions. It also reviews the effectiveness of internal controls relating to market risk, credit risk and liquidity risk.

#### a) Market risk

##### 1. Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The Group is primarily exposed to changes in the Chinese yuan and Indian rupee against the Australian dollar on translation into the Group's presentation currency of subsidiaries' financial information. However, there are no material financial assets and liabilities denominated in currencies other than the functional currency of each entity. Therefore, management has concluded that market risk from foreign exchange fluctuation is not material.

#### b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

## Notes to the Consolidated Statements continued ...

### I. Risk management

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), 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. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

### II. Impairment of financial assets

The Group has one type of financial asset subject to the expected credit loss model:

- trade receivables for sales of monitor tags, the provision of monitoring subscriptions, consulting and labour hire services.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

#### Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2019 and 30 June 2020 were determined as follows for trade receivables:

#### 30 June 2019

	Current \$	Days past due					Total \$
		1-30 \$	31-60 \$	61-90 \$	91-120 \$	121+ \$	
Expected credit loss rate	1.33%	7.95%	15.17%	24.30%	44.11%	69.85%	63,31
Gross carrying amount	33,136	7,073	20,161	1,905	428	607	0
<b>Loss allowance</b>	<b>441</b>	<b>562</b>	<b>3,058</b>	<b>463</b>	<b>189</b>	<b>423</b>	<b>5,136</b>

## Notes to the Consolidated Statements continued ...

30 June 2020

	Current	Days past due					Total
		1-30	31-60	61-90	91-120	121+	
	\$	\$	\$	\$	\$	\$	\$
Expected credit loss rate	0.00%	2.03%	11.35%	34.45%	46.43%	58.63%	
		32,72					45,04
Gross carrying amount	-	8	432	2,244	924	8,715	3
<b>Loss allowance</b>	<b>-</b>	<b>666</b>	<b>49</b>	<b>773</b>	<b>429</b>	<b>5,110</b>	<b>7,027</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 121 days past due.

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.

The directors have deemed that no additional provision over and above current provisions are warranted in light of the COVID-19 pandemic due to the recoverability of receivables to date and the Company's relationships with its customers. This will however be monitored closely into the future.

### c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

#### 1. Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

## Notes to the Consolidated Statements continued ...

### Contractual maturities of financial liabilities

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
<b>2019</b>							
Trade and other payables	615,376					615,376	615,376
<b>Total</b>	<b>615,376</b>	-	-	-	-	<b>615,376</b>	<b>615,376</b>
<b>2020</b>							
Trade and other payables	238,667					238,667	238,667
<b>Total</b>	<b>238,667</b>	-	-	-	-	<b>238,667</b>	<b>238,667</b>

### 11. Capital management

#### a) Risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's management, the Board monitors the need to raise additional equity from the equity markets.

#### b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2020 (2019: nil). The Group's franking account balance was nil at 30 June 2020 (2019:nil).

## Notes to the Consolidated Statements continued ...

### 12. Interest in other entities

#### a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Note	Place of business/country of incorporation	Ownership interest held by the group	
			2020	2019
			%	%
Constellation Technologies Australia Pty Ltd	1	Australia	100	100
Beijing Constellation Technologies Development Co. Ltd	3	China	100	-
CCP IoT Technologies Pvt Ltd		India	100	100
CCP IP Pty Ltd		Australia	100	100
CCP Asia Pacific Pty Ltd		Australia	100	100
CCP Network North America Inc.	2	United States	100	100
Agen Limited	2	Australia	100	100
Agen Biomedical Limited	2	Australia	100	100
Agen Inc.	2	Unites States	100	100

1. Formerly CCP Network Australia Pty Ltd
2. Entitles in the process of being wound up.
3. Incorporated on 17 January 2020

### 13. Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 (2019: nil).

### 14. Events occurring after the reporting period

On 29 July 2020, the Group announced that ASIC had consented to resignation of BDO Audit Pty Ltd as the Group's auditors. PKF Brisbane Audit commenced as the Group's auditors for the FY20 audit. PKF Brisbane Audit will be confirmed as the Group's auditors at the 2020 Annual General Meeting.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

## Notes to the Consolidated Statements continued ...

### 15. Related party transactions

#### a) Key management personnel compensation

	Notes	2020 \$	2019 \$
Short-term employee benefits		395,523	402,744
Post-employment benefits		18,307	27,141
Share-based payments		1,037,259	379,614
		<b>1,451,089</b>	<b>809,499</b>

Detailed remuneration disclosures are provided in the remuneration report.

## Notes to the Consolidated Statements continued ...

### b) Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred during the year ended 30 June 2020 with related parties and were outstanding as the reporting date:

	During the Year 2020 \$	Outstanding at end of Year 2020 \$	During the Year 2019 \$	Outstanding at end of Year 2019 \$
Office rent and outgoings paid on an arms's length commercial basis to Lagoon Properties Pty Ltd, company associated with former directors Michael White and Anthony Rowley in respect of offices in St Kilda.	-	-	16,788	1,416
Office rent and outgoings paid on an arms's length commercial basis to FNJ Properties Pty Ltd, a company associated with director, Leath Nicholson in respect of the Company's Melbourne Offices. Payment received in cash and equity.	33,000	-	6,000	6,600
Consultancy fees paid to Skantech Pty Ltd, a company associated with Kartheek Munigoti, in respect of the provision of IT technical support services.	18,982	-	64,364	6,896
Legal fees paid on normal commercial terms to Nicholson Ryan Lawyers Pty Ltd, a company associated with director Leath Nicholson. Payment received in cash and equity.	131,650	-	94,201	95,897
Share issue cost paid to First Growth Funds Limited, a company associated with director, Anoosh Manzoori	-	-	33,675	37,042
Directors fees payable to Catellen Pty Ltd, a company associated with Leath Nicholson	-	5,833	-	27,408
Directors fees payable to Famile Pty Ltd, a company associated with Adam Gallagher	-	-	-	15,125
Directors fees payable to Shape Capital Pty Ltd, a company associated with Anoosh Manzoori	-	-	-	15,747

## Notes to the Consolidated Statements continued ...

### 16. Share-based payments

#### (a) Share options and performance rights on issue

Set out below are summaries of all options & rights, including those issued under the ESOP:

	2020	2019		
	Weighted average exercise price per share	Number of options & performance rights	Weighted average exercise price per share	Number of options & performance rights
<b>As at 1 July</b>	\$ 0.040	50,041,900	\$ 0.090	16,979,550
Granted during the year	\$ 0.015	568,634,134	\$ 0.030	43,062,350
Forfeited during the year	\$ 0.015	(23,372,159)	\$ 0.100	(10,000,000)
Exercised	\$ 0.008	(57,410,886)	-	-
<b>As at 30 June</b>		<b>537,892,989</b>	<b>\$0.040</b>	<b>50,041,900</b>
Vested and exercisable		509,374,539		48,595,350

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Recipients	Expiry Date	Exercise Price	30 June 2020	30 June 2019
18/11/2016	Director	15/12/2020	\$0.100	2,000,000	2,000,000
8/11/2016	Director	15/12/2020	\$0.100	2,000,000	2,000,000
15/12/2016	Consultants	15/12/2019	\$ -	-	1,533,000
10/11/2017	Director	25/10/2021	\$0.100	1,446,550	1,446,550
11/12/2018	Investors - free attaching	10/12/2020	\$0.030	19,890,191	43,062,350
14/11/2019	Rights Issue - free attaching	14/11/2022	\$0.015	430,952,084	-
29/05/2020	Employees	29/05/2023	\$0.015	19,285,714	-
29/05/2020	Directors	29/05/2023	\$0.015	39,142,858	-
19/06/2020	Sophisticated Investor	18/06/2023	\$0.015	16,800,000	-
				<b>531,517,397</b>	<b>50,041,900</b>

Weighted average remaining contractual life of options outstanding at end of period

2.36                      1.03

## Notes to the Consolidated Statements continued ...

Performance rights outstanding at the end of the year have the following terms:

Grant Date	Recipients	Vesting Date	Expiry Date	30 June 2020	30 June 2019
13/01/2020	Employees	13/01/2021	13/04/2022	3,000,000	-
13/01/2020	Employees	13/01/2022	13/04/2022	3,000,000	-
1/02/2020	Employees	1/02/2021	1/05/2021	375,592	-
				6,375,592	-
Weighted average remaining contractual life of rights outstanding at end of Year:				1.73	-

### (b) Employee share scheme

The establishment of the 'employee share option plan' (ESOP) was approved by shareholders at the 2017 annual general meeting. The plan is designed to provide long-term incentives for employees (including directors) to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The following equity has been issued under the scheme since it was last approved by shareholders.

#### Shares

Name	Term Code	Issue Date	Grant Date	Vesting Date	Qty	Issue Price	Value of Shares Granted	Value Vested
						\$	\$	\$
Kartheek Munigoti	A	26/11/2018	31/12/2017	31/12/2017	2,878,135	0.0270	77,710	77,710
Karen Davy	B	26/11/2018	18/12/2017	18/12/2017	43,478	0.0230	1,000	1,000
Other Employees	C	2/09/2019	2/09/2020	2/09/2020	769,231	0.0130	10,000	10,000
Kartheek Munigoti	D	29/05/2020	1/05/2020	29/05/2020	3,571,429	0.0070	25,000	25,000
Kartheek Munigoti	D	29/05/2020	1/05/2020	29/05/2021	3,571,429	0.0070	25,000	-
Kartheek Munigoti	D	29/05/2020	1/05/2020	29/05/2022	3,571,428	0.0070	25,000	-
Other Employees	E	29/05/2020	28/05/2020	28/05/2020	1,056,358	0.0190	20,071	20,071
Other Employees	F	29/05/2020	28/05/2020	28/05/2020	600,000	0.0150	9,000	9,000

## Notes to the Consolidated Statements continued ...

A: Issue Price was 7 day VWAP up to close of trading on 31 December 2017 and at a 50% premium to the closing price on 11 October 2018.

B: Ms Davy was the spouse of KMP Michael White who resigned on 4 February 2019. Issue price was closing share price on grant date.

C: Issue price was 14 day VWAP up to close of trading on 23 July 2019 and a 42% premium to closing share price on date of issue.

D: Issue price based on price granted to all shareholders under Rights Issue Allocation 15 November 2019.

E: Issue price based on 30 day VWAP as at 30 April 2020.

F: Issue price based on a 30% discount to the 30 day VWAP as at 30 April 2020.

### Options

Name	Valuation Code	Grant Date	Vesting Date	Expiry Date	Qty	Exercise Price	Value of Options Granted	Value Vested
						\$	\$	\$
Kartheek Munigoti	A	1/05/2020	29/05/2020	29/05/2023	10,714,286	0.0150	53,571	53,571
Terri Bakos	A	1/05/2020	29/05/2020	29/05/2023	8,571,428	0.0150	42,857	42,857

All options were valued using a Black-Scholes valuation model with parameters as disclosed in note 16.

### Rights

Name	Term Code	Grant Date	Vesting Date	Expiry Date	Qty	Value of Rights Granted	Value Vested
						\$	\$
Other Employee	H	13/01/2020	13/01/2021	13/04/2022	3,000,000	30,000	-
Other Employee	I	13/01/2020	13/01/2022	13/04/2022	3,000,000	30,000	-
Other Employee	J	1/02/2020	1/02/2021	1/05/2021	375,592	10,000	-

H & I: Issued price based on a 43% premium to shares issued to shareholders under the Rights Issue Allocation 15 November 2019.

J: Issued price based on 30 day VWAP as at grant date.

## Notes to the Consolidated Statements continued ...

### (c) Other share based payment arrangements

The following equity has been issued to directors and consultants outside of the Employee Equity Share Plan.

#### Shares

Name	Issue Date	Grant Date	Vesting Date	Qty	Issue Price \$	Value of Shares Granted \$	Value vested \$
Leath Nicholson	29/05/2020	27/05/2020	29/05/2020	12,857,142	0.0070	90,000	90,000
Adam Gallagher	29/05/2020	27/05/2020	29/05/2022	22,142,858	0.0070	155,000	-
Anoosh Manzoori	29/05/2020	27/05/2020	29/05/2020	4,142,858	0.0070	29,000	29,000

#### Options

Name	Valuation Code	Grant Date	Vesting Date	Expiry Date	Qty	Exercise Price \$	Value of Options Granted \$
Leath Nicholson	B	27/05/2020	29/05/2020	29/05/2023	12,857,142	0.0150	192,857
Adam Gallagher	C	27/05/2020	29/05/2022	29/05/2023	22,142,858	0.0150	376,428
Anoosh Manzoori	B	27/05/2020	29/05/2020	29/05/2023	4,142,858	0.0150	62,142

All of the above equity issued to associates of the directors and was approved by shareholders at a General Meeting held 27 May 2020. The shares and options were issued as part of the directors remuneration except for Mr Nicholson. 8,542,857 shares and options were issued to an associate of Mr Nicholson for services provided by related parties to Mr Nicholson. Refer related party transactions note 19.

All options were valued using a Black-Scholes valuation model with parameters as disclosed in note 16.

## Notes to the Consolidated Statements continued ...

### (d) Valuation of share options

Options issued to employees under the employee share scheme and to directors outside of the employee share scheme were valued in accordance with AASB 2 – Share Based Payments over the vesting period with the following parameters.

	Employees (A)	Directors (B)	Directors (C)
Exercise price	\$0.015	\$0.015	\$0.015
Grant date	29/05/20	29/05/20	29/05/20
Vesting date	29/05/20	29/05/20	29/05/22
Life of option	3 yrs	3 yrs	3 yrs
Share price on grant date	\$0.02	\$0.03	\$0.03
Expected volatility	53%	53%	53%
Expected dividend yield	0%	0%	0%
Risk free rate	0.25%	0.26%	0.26%

Options granted form part of the employee or directors' remuneration. The options vest on the dates disclosed and are not transferable. Shares and options issued to Mr Gallagher vest when Mr Gallagher ceases to be CEO. For accounting purposes this has been estimated to be within 2 years and is of no way a reflection of his estimated date of termination of employment with the Company.

### (e) Expenses arising from share-based payment transactions

	2020	2019
	\$	\$
Expenses arising from shares issued to key management personnel	111,878	367,032
Expenses arising from options issued to key management personnel	605,992	12,582
Expenses arising from shares issued to other employees	29,263	10,702
Expenses arising from rights issued to other employees	22,917	-
Expense arising from shares issued to consultants	461,442	46,920
	<b>1,231,492</b>	<b>437,236</b>

## Notes to the Consolidated Statements continued ...

### 17. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2020	2019
	\$	\$
<i>Audit and review of financial statements</i>		
BDO Audit Pty Ltd	44,189	62,500
PKF Brisbane Audit	34,000	-
	<b>78,189</b>	<b>62,500</b>

Subsequent to balance date ASIC consented for BDO Audit Pty Ltd to resign as the Group's auditors (refer note 14). This will be ratified at the 2020 Annual General Meeting by shareholders. PKF Brisbane Audit commenced as the Group's auditors for the FY20 year end audit.

### 18. Loss per share

#### (a) Reconciliation of loss used in calculating loss per share

	2020	2019
	\$	\$
Loss attributable to equity holders of the Group used in calculating loss per share:		
From continuing operations	(2,923,876)	(2,177,277)
	<b>(2,923,876)</b>	<b>(2,177,277)</b>

#### (b) Weighted average number of shares used as the denominator

	2020	2019
	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	873,682,078	418,652,763

There are 317,759,446 share options on issue not included in diluted earnings per share as these would have an anti-dilutive effect on earnings per share. These potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease loss per share. If these shares options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 1,191,441,524.

## Notes to the Consolidated Statements continued ...

### 19. Parent entity financial information

#### Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2020	2019
	\$	\$
<b>Balance Sheet</b>		
Current assets	3,348,746	47,298
Non-current assets	5,450,539	2,000
Total assets	8,799,285	49,298
Current liabilities	(73,898)	569,401
Non-current liabilities	-	-
Total liabilities	(73,898)	569,401
Share capital	91,181,314	84,434,953
Reserves		
- Share-based payments	5,618,491	4,826,323
Retained earnings	(88,074,418)	(89,781,379)
	<b>8,725,387</b>	<b>(520,103)</b>
<b>Income Statement</b>		
Loss for the year	2,518,452	2,023,673
<b>Total comprehensive income</b>	<b>2,518,452</b>	<b>2,023,673</b>

### 20. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Constellation Technologies Limited and its subsidiaries.

#### (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 and the *Corporations Act 2001*. Constellation Technologies Limited is a for-profit entity for the purpose of preparing the financial statements.

#### 1. Compliance with IFRS

The consolidated financial statements of the Constellation Technologies Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## **Notes to the Consolidated Statements continued ...**

### **II. Historical cost convention**

The financial statements have been prepared on a historical cost basis.

### **III. Going concern**

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

As disclosed in the financial statements, the Group is in a net asset position of \$4,426,941, net current asset position of \$4,339,204 and has net operating cash outflows of \$1,922,807. The Group generated a loss after tax for the year of \$2,923,876. The group's cash position increased to \$4,405,173 at 30 June 2020.

Notwithstanding the historical losses to date the directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- Recent history in raising capital. The Group completed two successful capital raisings in September and November 2019 where \$3,985,801 in cash was raised via a Placement and a Rights Issue. A further placement was made to a Group of Sophisticated Investors during the year that raised \$1,706,306.
- Significant progress has been made in realising the Group's intellectual property. The Group has entered into Strategic Agreements with two partners to exploit the Group's technology, particularly in the Asian region. These investors have a history of working with and growing public companies. Refer Group announcement 11 December 2019.
- The Group is incurring a rate of expenditure designed to enhance its prospects in generating growth in sales locally and in the event that the Group encounters any difficulties in raising capital, the Board is comfortable that the current levels of expenditure can be scaled back to preserve cash, and
- The Group continues to apply different measures to control its expenditure to preserve cash and working capital. The recent changes at executive management level, and the ability to negotiate payment in equity in lieu of cash with its consultants and suppliers, also improves the Group's cash coverage.

### **IV. New and amended standards adopted by the group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

## **Notes to the Consolidated Statements continued ...**

### *AASB 16 Leases – impact of adoption*

AASB 16 Leases was adopted from 1 July 2019. The standard replaces AASB 117 Leases and for lessees eliminates the classification of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right of use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (including in operating costs) and an interest expense on the recognized lease liabilities (including in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

There has been no impact on the initial adoption of this standard as the Company did not have any leases until this current reporting period.

### *v. New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. As at the date of this report there are no new Accounting Standards that have been issued but not yet applied that have a material effect on the results of the Group.

## **(b) Principles of consolidation**

### *i. Subsidiaries*

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

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

## **(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. This has been identified as the Board and chief executive officer.

## **Notes to the Consolidated Statements continued ...**

### **(d) Foreign currency translation**

#### *I. Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is Constellation Technologies Limited's functional and presentation currency.

#### *II. Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

#### *III. Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## **Notes to the Consolidated Statements continued ...**

### **(e) Revenue recognition**

The accounting policies for the Group's revenue from contracts with customers are explained in note 2.

### **(f) 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.

### **(g) Income tax**

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **(h) Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## **Notes to the Consolidated Statements continued ...**

### **(i) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entities incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts excepted to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following; future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **(j) Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a major line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the profit or loss and other comprehensive income. Where a decision is made to treat a major line of business or area of operations as discontinued the comparative information is restated to reflect as if that major line of business or area of operations had been discontinued in the prior year.

### **(k) Impairment of assets**

Goodwill and 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 assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

## **Notes to the Consolidated Statements continued ...**

### **(l) Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### **(m) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 5(b) for further information about the Group's accounting for trade receivables and note 10(b) for a description of the Group's impairment policies.

### **(n) Investments and other financial assets**

#### *I. Classification*

From 1 July 2019, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

#### *II. Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *III. Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

## **Notes to the Consolidated Statements continued ...**

### **IV. Impairment**

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 10(b) for further details.

### **(o) Property, plant and equipment**

#### **Plant & Equipment**

Plant & equipment acquired are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 20(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### **Right-of-use assets**

These includes leases of rental properties and equipment.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commence date, net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of the cost expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the lease asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Notes to the Consolidated Statements continued ...

### (p) Trade and other payables

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

### (q) Employee benefits

#### *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### *Share-based payments*

Share-based compensation benefits are provided to employees via the 'employee share option plan' (ESOP). Information relating to these schemes is set out in note 16.

#### *Employee options*

The fair value of options granted under the ESOP is recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the Group's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Group over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## **Notes to the Consolidated Statements continued ...**

### **(r) Contributed equity**

Ordinary shares are classified as equity.

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

### **(s) Loss per share**

#### *i Basic loss per share*

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Group, 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 year.

#### *ii Diluted loss per share*

Diluted loss per share adjusts the figures used in the determination of basic loss 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **(t) Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

### **(u) Goods and services tax (GST)**

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

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

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

## Director's Declaration

### In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 72 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 20(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of directors.



**Mr Adam Gallagher**

*Executive Director and Chief Executive Officer*

# Independent Auditors Report

PKF Brisbane Audit



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CONSTELLATION TECHNOLOGIES LIMITED

#### Report on the Financial Report

##### Opinion

We have audited the accompanying financial report of Constellation Technologies Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Constellation Technologies Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for Opinion

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

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

##### Independence

We are independent of the consolidated entity 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.

##### Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial report of the current period. This matter was 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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

## 1. Share based payments

### Why significant

During the year, the consolidated entity granted and awarded substantial shares, options and performance rights to key management personnel, employees, and consultants. For the year ended 30 June 2020, the consolidated entity recorded share based payments of \$1,231,492 (2019: \$437,236), as disclosed in Note 16. The consolidated entity's accounting policy in respect of share based payments is outlined in Note 3 & Note 20.

Share based payments expense represents 33% of group's total expenses during the year.

Share based payments is a key audit matter due to:

- It is a material balance in the financial report for the year ended 30 June 2020;
- The significant audit effort required to test the consolidated entity's share based payments; and
- The level of judgement required in the equity instruments' valuation.

### How our audit addressed the key audit matter

In assessing this key audit matter, we involved senior audit team members who are experienced in equity instruments.

Our audit procedures included, but was not limited to, the following procedures:

- Obtaining the consolidated entity's equity instruments worksheet and checking for mathematical accuracy;
- Reviewing board meeting minutes and ASX announcements, and ensuring completeness of the worksheet;
- Checking a sample of equity instruments to source documents such as share/option offer letters, agreements and contracts, ensuring the details in the equity worksheet are consistent with source documents;
- Ensuring the application of AASB 2 *Share-based payment* to the issues were appropriate;
- Reviewing journal entries processed;
- Reviewing the option valuations, including assumptions and judgements used such as option terms, risk free rates and volatility; and
- Reviewing disclosures in the financial report relating to the equity instruments and ensuring compliance with AASB 2.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, 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, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we 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.

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

## Directors' Responsibilities 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 consolidated entity's ability 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 consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 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 consolidated entity'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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the group 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, actions taken to eliminate threats or safeguards applied.

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.



## Report on the Remuneration Report

### Opinion

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Constellation Technologies Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF BRISBANE AUDIT

SHAUN LINDEMANN  
PARTNER

BRISBANE  
27 AUGUST 2020

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## Shareholder Information

### As at 25 August 2020

#### (a) Distribution of equity securities

The number of shareholders, by size of holding in each class of equity are:

Distribution	Ordinary Shares		Options	
	No. of holders	No. of shares	No. of holders	No. of shares
100,001 and over	629	1,330,680,561	205	522,701,377
10,001 to 100,000	449	21,293,200	80	4,405,061
5,001 to 10,000	20	174,617	2	16,030
1,001 to 5,000	37	86,419	8	19,853
1 to 1,000	124	21,877	21	5,649
<b>Total</b>	<b>1,259</b>	<b>1,352,256,674</b>	<b>316</b>	<b>527,147,970</b>

There are two holders of 6,375,592 Performance Rights on issue, each holding is greater than 100,001.

There were 229 holders of less than a marketable parcel of 949,994 ordinary shares.

## Shareholder Information

### (b) Twenty largest holders of quoted securities are:

	<b>Name of registered holder</b>	<b>No. of shares</b>	<b>% of holding</b>
1	MRGL PTY LTD <MR GLOSS UNIT A/C>	138,122,848	10.23
2	MR XIAONI BAO	41,760,000	3.09
3	K & M HOLDINGS AUSTRALIA PTY LTD <THE NILLAHCOOTIE A/C>	37,784,144	2.80
4	KARTHEEK MUNIGOTI SHANKAR RAO <THE SRISKANDA A/C>	30,341,882	2.25
5	FIRST GROWTH FUNDS LIMITED	30,180,740	2.24
6	MR YI ZHANG	27,840,000	2.06
7	COMMIT CO PTY LTD	27,521,086	2.04
8	MR ZHIGANG ZHANG	26,000,000	1.93
9	MR CHRISTOPHER THOMAS TITMARSH	25,442,857	1.88
10	S & M FRENCH INVESTMENTS PTY LTD	24,884,983	1.84
11	MAINLINE SOLUTIONS PTY LIMITED	24,637,301	1.82
12	PRADO INVESTMENTS PTY LTD	24,201,682	1.79
13	MS XIAOFANG ZHANG	22,000,000	1.63
14	HONGMEN CAPITAL HOLDINGS PTY LTD	21,428,571	1.59
15	MR XIAONI BAO	20,000,000	1.48
16	DSA SUPERANNUATION NOMINEES PTY LTD <DSA SUPERANNUATION A/C>	17,000,000	1.26
17	MR HONGLIANG CAI	14,000,000	1.04
18	MR CHANG LIANG ZHANG + MRS DAN YUN WEI	13,308,126	0.99
19	EQUITAS NOMINEES PTY LIMITED <PB-600853 A/C>	13,003,423	0.96
20	HONG & JIANG SUPER HOLDINGS PTY LTD <HONG & JIANG S/F A/C>	13,000,000	0.96
		<b>592,457,643</b>	<b>43.88</b>

### (c) Substantial shareholders

The names of the substantial shareholders who have notified the Group in accordance with section 371B of the *Corporations Act 2001* are:

	<b>Name of registered holder</b>	<b>No. of shares</b>	<b>% of holding</b>
1	K&M Holdings Australia Pty Ltd <The Nillahcootie A/C>	35,840,430	7.03
2	Mainline Solutions Pty Limited	33,249,673	6.52
3	S&M French Investments Pty Ltd	28,984,983	5.69
4	Raymond Malone	156,276,694	11.61

## Shareholder Information

### (d) Voting rights

The voting rights attached to equity securities are set out below:

#### (i) Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

#### (ii) Options and performance rights

Options and performance rights are not entitled to voting rights.

### (e) Unquoted equity security holdings greater than 20%

No single shareholder has an unquoted equity holding greater than a 20%.

### (f) Escrowed securities holdings

The following securities holdings are subject to restrictions or voluntary escrow arrangements.

Security Type	Qty	Escrow Date
Ordinary Shares <sup>1</sup>	120,000,000	8/01/2021
Ordinary Shares <sup>1</sup>	1,879,029	19/06/2021
Ordinary Shares <sup>1</sup>	121,879,029	19/06/2022
Ordinary Shares	21,428,571	19/06/2022
	<b>265,186,629</b>	

<sup>1</sup>Securities escrowed until disclosed date or when various performance targets are satisfied.

### (g) On market buy-back

There is no current on-market buy-back of the Group's securities.