

I SYNERGY GROUP LIMITED

ACN: 613 927 361

APPENDIX 4E PRELIMINARY FINAL REPORT

Company details

Name of entity:	I Synergy Group Limited
ABN:	51 613 927 361
Reporting period:	For the year ended 31 December 2019
Previous period:	For the year ended 31 December 2018

2. Results for announcement to the market

					AUD\$'000
Revenue from ordinary activities	down	8.2%	to		8,768
Loss from ordinary activities after tax attributable to the owners of I Synergy Group Limited	up	172.9%	to		(2,159)
Loss for the year attributable to the owners of I Synergy Group Limited	up	202.9%	to		(2,190)

Dividend

No dividend was recommended by the directors for the financial year.

Comment

During the financial year, the revenue experienced a decline of 8.2% compared to the previous financial year to AUD\$8.768 million from AUD\$9.551 million. This also resulted in the 564.5% decline of the Company's loss after taxation to AUD\$1,834,000 from loss after taxation AUD\$276,000.

The decline in revenue is primarily due to lower transaction from the Group's core business stream which is the software activation, license right, and program fee from new affiliates sign up. The decrease in new affiliates sign up also affected the generation of income from other connected sources such as the training and affiliate event fees.

During the financial year, a high direct cost was borne by the Group for the development of an all new system for the affiliate program, significant enhancements of its mobile application and system portal, database restructuring, research and development and advertising and promotions campaigns.

There are no significant fluctuations relating to the Group's overhead costs. The Group is able to maintain and manage its administrative expenses in tandem with its business plans and strategies. However, the Group's financial position is lower in comparison to the previous financial year due to lower cash on hand as a result of lower operating cash flow generated and cash outflows for purchase of equipment and lease liabilities payments.

Despite the performance observed above, the Group's achievement in obtaining MS1900:2014 Shariah Based Quality Management Systems certification which authenticates that the Group is in compliance with internationally recognised Shariah requirements for their primary business activities in Jan 2018. Operating in Malaysia and Indonesia where the majority of the population are Muslims, the Shariah compliance certification has strengthened the acceptance of the Group's products and services. The Management has been optimistic that the performance from the two countries would contribute positively moving forward.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible (liabilities)/assets per ordinary share	<u>(0.05)</u>	<u>1.52</u>

4. Control gained over entities

Not applicable.

5. Loss control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Foreign entities to disclose which accounting standards are used in compiling the report

The financial statements of the Group have been prepared in accordance with Australian Accounting Standards issued by Australian Accounting Standards Board, which is also comply with International Financial Reporting Standards.

8. Audit status

The accounts are in the process of being audited.

9. If the accounts have not yet been audited and are likely to contain an independent audit report that is to a modified opinion, emphasis of matter or other matter paragraph, a description of the likely modified opinion, emphasis of matter or other matter paragraph

The independent audit report is unlikely to contain a modified opinion, emphasis of matter or other matter paragraph, a description of the likely modified opinion, emphasis of matter or other matter paragraph.

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10. Attachments

Details of attachments (if any):

The Financial Statements and Notes forming part of the Preliminary Final Report of I Synergy Group Limited for the year ended 31 December 2019 is attached.

11. Signed



Signed _____

Date: 26 February 2020

Dato' Teo Chee Hong
Director

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I SYNERGY GROUP LIMITED

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	The Group	
		2019 AUD\$'000	2018 AUD\$'000
Revenue	2	8,768	9,551
Cost of sales		(6,156)	(6,961)
Gross profit		2,612	2,590
Other income		196	433
Selling and distribution expenses		(688)	(167)
Administrative expenses		(3,882)	(3,031)
Finance cost		(25)	(13)
Loss before taxation	3	(1,787)	(188)
Income tax expense	4	(47)	(88)
Loss after taxation for the year		(1,834)	(276)
Other comprehensive (expenses)/income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		-	244
Total comprehensive expenses for the year		(1,834)	(32)
(Loss)/Profit after taxation attributable to:			
Non-controlling interest		325	515
Owners of the Company		(2,159)	(791)
		(1,834)	(276)
Total comprehensive (expenses)/income for the year attributable to:			
Non-controlling interest		356	691
Owners of the Company		(2,190)	(723)
		(1,834)	(32)
		Cents	Cents
Basic loss per share	5	(1.18)	(0.43)
Diluted loss per share	5	(1.18)	(0.43)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

		The Group	
	Note	2019 AUD\$'000	2018 AUD\$'000 Restated
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	6	6,219	9,953
Inventories	7	20	19
Trade receivables	8	505	375
Other receivables, deposits and prepayments	9	1,118	960
Current tax asset		215	27
		8,077	11,334
<u>Non-Current Assets</u>			
Equipment	10	1,675	1,374
Deferred tax asset	11	1,000	996
Right-of-use assets	12	331	-
		3,006	2,370
TOTAL ASSETS		11,083	13,704
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables	13	660	106
Other payables and accruals	14	2,089	1,436
Current tax liability		123	43
Deferred revenue	15	1,263	1,316
Lease liabilities	16	351	-
Hire purchase payables	17	-	177
		4,486	3,078
<u>Non-Current Liabilities</u>			
Deferred revenue	15	5,522	6,664
Lease liabilities	16	165	-
Hire purchase payables	17	-	189
		5,687	6,853
TOTAL LIABILITIES		10,173	9,931
NET ASSETS		910	3,773
EQUITY			
Share capital	18	2,442	2,442
Merger deficit	19	(1,042)	(1,042)
Foreign exchange translation reserve	20	6	37
Option reserve	21	513	501
Accumulated losses		(2,228)	(69)
		(309)	1,869
Equity attributable to owners of the Company		(309)	1,869
Non-controlling interest		1,219	1,904
TOTAL EQUITY		910	3,773

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Group	Note	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Option Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non-Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2019		2,442	(1,042)	37	77	355	1,869	1,904	3,773
Prior year adjustment (Note 25)		-	-	-	424	(424)	-	-	-
Balance at 1.1.2019, restated		2,442	(1,042)	37	501	(69)	1,869	1,904	3,773
(Loss)/Profit after taxation for the financial year		-	-	-	-	(2,159)	(2,159)	325	(1,834)
Other comprehensive income for the financial year, net of tax:									
- Foreign currency translation differences		-	-	(31)	-	-	(31)	31	-
Total comprehensive (expenses)/income for the financial year		-	-	(31)	-	(2,159)	(2,190)	356	(1,834)
Contributions by and distributions to owners of the Company:									
- Options to employees		-	-	-	12	-	12	-	12
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	-	(1,041)	(1,041)
Total transactions with owners		-	-	-	12	-	12	(1,041)	(1,029)
Balance at 31.12.2019		2,442	(1,042)	6	513	(2,228)	(309)	1,219	910

Note:

* - arising from merger accounting.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

The Group	Note	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Option Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non-Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2018		2,665	(1,042)	(31)	-	1,881	3,473	2,207	5,680
Prior year adjustment (Note 25)		-	-	-	424	(424)	-	-	-
Balance at 1.1.2018, restated		2,665	(1,042)	(31)	424	1,457	3,473	2,207	5,680
(Loss)/Profit after taxation for the financial year		-	-	-	-	(791)	(791)	515	(276)
Other comprehensive income for the financial year, net of tax:									
- Foreign currency translation differences		-	-	68	-	-	68	176	244
Total comprehensive (expenses)/income for the financial year		-	-	68	-	(791)	(723)	691	(32)
Contributions by and distributions to owners of the Company:									
- Shares buy-back		(223)	-	-	-	-	(223)	-	(223)
- Options to employees		-	-	-	77	-	77	-	77
- Dividend by the Company	22	-	-	-	-	(735)	(735)	-	(735)
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	-	(994)	(994)
Total transactions with owners		(223)	-	-	77	(735)	(881)	(994)	(1,875)
Balance at 31.12.2018		2,442	(1,042)	37	501	(69)	1,869	1,904	3,773

Note:

* - arising from merger accounting.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Sale from customers	7,128	9,660
Payments to suppliers and employees	(8,244)	(9,896)
Cash used in operations	(1,116)	(236)
Interest paid	(53)	(13)
Income tax paid	(141)	(701)
Net cash used in operating activities	(1,310)	(950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	177	293
Proceeds from disposal of equipment	135	-
Purchase of equipment	(813)	(284)
Net cash (used in)/from investing activities	(501)	9
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(735)
Dividend paid by a subsidiary to non-controlling interest	(1,041)	(994)
Purchase of own shares	-	(223)
Repayment of hire purchase obligations	(193)	(49)
Repayment of lease liabilities	(545)	-
Repayment to a related party	-	(3)
Net cash used in financing activities	(1,779)	(2,004)
Net decrease in cash and cash equivalents	(3,590)	(2,945)
Effects of exchange rate changes on cash and cash equivalents	(144)	5
Cash and cash equivalents at the beginning of the financial year	9,953	12,893
Cash and cash equivalents at the end of the financial year	6,219	9,953

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

The Preliminary Final Report ("the Report") are prepared in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'). The Report also comply with International Financial Reporting Standards.

It is recommended that the Report be read in conjunction with the half yearly financial statements of I Synergy Group Limited and its controlled entities ("the Group") as at 30 June 2019 together with any public announcements made by I Synergy Group Limited during the financial year ended 31 December 2019, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparative information and retained earnings is not restated at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to recognise a right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The Group recognises right-of-use assets totalling AUD931,000 representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at 8%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION (CONT'D)

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	AUD\$'000
Total operating lease commitments disclosed as at 31 December 2018	534
Recognition exemptions:	
- Leases of low value assets	-
- Leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	241
Operating lease liabilities before discounting	775
Discounted using incremental borrowing rate	(72)
Operating lease liabilities	703
Reasonably certain extension options	228
Finance lease obligations	366
Total lease liabilities recognised under AASB 16 at 1 January 2019	1,297

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

2. REVENUE

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
<u>Revenue recognised at a point in time</u>		
Software activation	5,669	5,510
Training	1,251	1,599
Affiliate program fees	293	340
Seminar and event	175	447
Merchandise sales	44	41
	<u>7,432</u>	<u>7,937</u>
<u>Revenue recognised over time</u>		
License right to access	1,336	1,614
	<u>8,768</u>	<u>9,551</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. (LOSS)/PROFIT BEFORE TAXATION

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	156	-
Audit fee	94	93
Bad debts written off	19	-
Depreciation of equipment	305	263
Depreciation of right of use	653	-
Directors' remuneration:		
- salaries, bonuses and allowances	322	313
- defined contribution plan	20	99
Equipment written off	158	6
Interest expense on financial liability not at FVTPL:		
- hire purchase	13	13
- lease liabilities	40	-
Rental of equipment	81	35
Rental of premises	10	612
Staff costs:		
- salaries, bonuses, commissions and allowances	1,182	880
- defined contribution plan	123	87
- others	63	94
Interest income on financial assets that are:		
- at FVTPL	(119)	(243)
- not at FVTPL	(58)	(50)
Gain on disposal of equipment	(56)	-
Rental income	-	(132)

4. INCOME TAX EXPENSE

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Income tax expense:		
- for the financial year	4	120
- under provision in previous financial years	29	22
	33	142
Deferred tax asset (Note 11):		
- for the financial year	110	(64)
- (over)/under provision in previous financial years	(96)	10
	14	(54)
	47	88

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. INCOME TAX EXPENSE (CONT'D)

A reconciliation of the income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
(Loss)/Profit before taxation	(1,787)	(188)
Tax at the statutory tax rates	(429)	(45)
Tax effects of:-		
Tax incentive for pioneer products	(261)	(385)
Non-deductible expenses	278	280
Non-taxable income	(28)	(57)
Deferred tax assets not recognised	553	263
Utilisation of deferred tax assets previously not recognised	1	-
Underprovision in previous financial years:		
- current tax	29	22
- deferred tax	(96)	10
Income tax expense for the financial year	47	88

5. LOSS PER SHARE

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Loss after taxation	(1,834)	(276)
Non-controlling interest	(325)	(515)
Loss after taxation attributable to the owners of the parent	(2,159)	(791)

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. LOSS PER SHARE (CONT'D)

	The Group	
	2019 Number	2018 Number
<u>Basic loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,148,636	183,989,966
	Cents	Cents
Basic loss per share	<u>(1.18)</u>	<u>(0.43)</u>
<u>Diluted loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,148,636	183,989,966
	Cents	Cents
Diluted loss per share	<u>(1.18)</u>	<u>(0.43)</u>

6. CASH AND CASH EQUIVALENTS

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Short-term investments with financial institutions, at fair value	2,359	7,382
Cash and bank balances	<u>3,860</u>	<u>2,571</u>
	<u>6,219</u>	<u>9,953</u>
Market value of short-term investments	<u>2,359</u>	<u>7,382</u>

The short-term investments are highly liquid investments in fixed income securities, Islamic money market fund and money market instruments that are readily convertible to known amounts of cash.

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INVENTORIES

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
At cost:- Merchandise held for sale	20	19
Recognised in profit or loss: Inventories recognised as cost of sales	17	37

None of the inventories are stated at net realisable value.

8. TRADE RECEIVABLES

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Trade receivables	889	598
Allowance for expected credit losses	(384)	(223)
	505	375
Allowances for expected credit losses: At 1.1 2019/2018	(223)	(205)
Addition during the financial year	(156)	-
Foreign exchange translation differences	(5)	(18)
At 31.12.2019/2018	(384)	(223)

The Group's normal trade credit terms range from 30 to 60 (2018 - 30 to 60) days.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Other receivables	450	310
Deposits	287	278
Prepayments	381	372
	1,118	960

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. EQUIPMENT

	At 1.1.2019 AUD\$'000	Additions AUD\$'000	Written Off AUD\$'000	Disposal AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 31.12.2019 AUD\$'000
The Group							
2019							
Computers, handphone and printer	89	289	-	-	(63)	4	319
Furniture and fittings	59	9	-	(2)	(11)	3	58
Merchant equipment	121	-	-	-	(18)	2	105
Motor vehicles	370	195	-	(77)	(106)	7	389
Office equipment	114	69	-	-	(23)	3	163
Renovation	600	249	(158)	-	(82)	11	620
Signboard	21	2	-	-	(2)	-	21
	1,374	813	(158)	(79)	(305)	30	1,675

	At 1.1.2018 AUD\$'000	Additions AUD\$'000	Written Off AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 31.12.2018 AUD\$'000
2018						
Computers, handphone and printer	115	8	-	(44)	10	89
Furniture and fittings	48	15	-	(8)	4	59
Merchant equipment	124	-	-	(13)	10	121
Motor vehicles	266	184	-	(105)	25	370
Office equipment	99	22	-	(14)	7	114
Renovation	580	52	(6)	(76)	50	600
Signboard	19	3	-	(3)	2	21
	1,251	284	(6)	(263)	108	1,374

The Group	At Cost AUD\$'000	Accumulated Depreciation AUD\$'000	Net Book Value AUD\$'000
2019			
Computers, handphone and printer	566	(247)	319
Furniture and fittings	100	(42)	58
Merchant equipment	140	(35)	105
Motor vehicles	682	(293)	389
Office equipment	228	(65)	163
Renovation	846	(226)	620
Signboard	29	(8)	21
	2,591	(916)	1,675

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. EQUIPMENT (CONT'D)

The Group	At Cost AUD\$'000	Accumulated Depreciation AUD\$'000	Net Book Value AUD\$'000
2018			
Computers, handphone and printer	273	(184)	89
Furniture and fittings	91	(32)	59
Merchant equipment	138	(17)	121
Motor vehicles	534	(164)	370
Office equipment	155	(41)	114
Renovation	801	(201)	600
Signboard	27	(6)	21
	<u>2,019</u>	<u>(645)</u>	<u>1,374</u>

In the last financial year, included in the net book value of equipment of the Group were motor vehicles with a total net book value of AUD\$368,000, which was acquired under hire purchases terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 17 to the financial statements.

The motor vehicles with a total net book value of AUD\$380,000 (2018 - AUD\$368,000) are held in trust by a director of the Company.

11. DEFERRED TAX ASSETS

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
At 1.1.2019/2018	996	865
Recognised in profit or loss (Note 4)	(14)	54
Foreign currency translation differences	18	77
At 31.12.2019/2018	<u>1,000</u>	<u>996</u>

The deferred tax assets represented by:-

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates – Deferred Revenue	1,028	1,018
Accelerated capital allowance over depreciation	(28)	(22)
	<u>1,000</u>	<u>996</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. RIGHT-OF-USE ASSETS

	The Group 2019 AUD\$'000
<i>Property Leases</i>	
At 1.1.2019/2018	-
Initial application of AASB 16	931
Depreciation charges	(653)
Foreign currency translation differences	53
At 31.12.2019/2018	<u>331</u>

The comparative information is not presented as the Group has applied AASB 16 using the modified retrospective approach.

The Group has leased a number of properties that run between 1 year and 3 years, with an option to renew the lease after that date.

13. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (2017 - 30 to 60) days.

14. OTHER PAYABLES AND ACCRUALS

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Other payables	1,917	1,241
Deposits received	85	86
Accruals	87	109
	<u>2,089</u>	<u>1,436</u>

Included in other payables of the Group is commission payable to affiliates amounting to approximately AUD\$1,146,000 (2018 – AUD\$485,000).

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. DEFERRED REVENUE

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
License right to access:		
Current liabilities	1,263	1,316
Non-current liabilities	5,522	6,664
	<u>6,785</u>	<u>7,980</u>

Deferred revenue represents the amount of transaction price received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. The software platform license provides for the rights to access the Group's affiliate marketing system as it exists throughout the licensed period. Licences that provide access are performance obligations satisfied over a certain period of time (between 3 years to 10 years) and, therefore, deferred revenue is recognised over that licensed period.

The significant changes in the deferred revenue balance during the financial year are summarised below:-

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Deferred revenue balance at the beginning of the financial year recognised as revenue	1,333	1,212
Advances received on licence right to access	-	905

The following table shows revenue expected to be recognised in the future related to performance obligation that are unsatisfied (or partially satisfied) at the reporting date:-

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Financial year ending 31 December 2019	-	1,316
Financial year ending 31 December 2020	1,263	1,241
Financial year ending 31 December 2021	1,184	1,163
Financial year ending 31 December 2022	1,149	1,129
Financial year ending 31 December 2023	1,130	1,110
Financial year ending 31 December 2024	935	918
Financial year ending 31 December 2025	631	620
Financial year ending 31 December 2026	358	351
Financial year ending 31 December 2027	116	114
Financial year ending 31 December 2028	19	18
	<u>6,785</u>	<u>7,980</u>

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16. LEASE LIABILITIES

	The Group 2019 AUD\$'000
At 1.1.2019	-
Initial application of AASB 16	1,297
Repayment of principal	(738)
Foreign currency translation differences	(43)
	<hr/>
At 31.12.2019	516
	<hr/>
<i>Analysed by:-</i>	
<i>Current liabilities</i>	351
<i>Non-current liabilities</i>	165
	<hr/>
	516
	<hr/>

The comparative information is not presented as the Group has applied AASB 16 using the modified retrospective approach

17. HIRE PURCHASE PAYABLES

	The Group 2018 AUD\$'000
Minimum hire purchase payments:	
- not later than one year	194
- later than one year and not later than five years	209
	<hr/>
	403
Less: Future finance charges	(37)
	<hr/>
Present value of hire purchase payables	366
	<hr/>
<u>Current</u>	
Not later than one year	177
<u>Non-Current</u>	
Later than one year and not later than five years	189
	<hr/>
	366
	<hr/>

- (a) The hire purchase payables have been represented as "lease liabilities" as shown in Note 17 to the financial statement following the application of AASB 16 by the Group using the modified retrospective approach.
- (b) In the previous financial year, the hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 10 to the financial statements.

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17. HIRE PURCHASE PAYABLES (CONT'D)

- (c) In the previous financial year, the hire purchase payable at the end of the reporting period bore effective interest rates ranging from 4.37% to 8.24%. The interest rates were fixed at the inception of the hire purchase arrangements.

18. SHARE CAPITAL

	2019	The Group/The Company		2018
	Number Of Shares	2018	2019	AUD\$'000
Fully Paid-Up Ordinary Shares			AUD\$'000	
At 1.1.2019/2018	183,068,088	184,719,945	2,442	2,665
Issuance of new shares	200,000	-	-	-
Shares buy-back	-	(1,651,857)	-	(223)
At 31.12.2019/2018	<u>183,268,088</u>	<u>183,068,088</u>	<u>2,442</u>	<u>2,442</u>

The detailed movements in fully paid-up ordinary shares during the financial year are as follows:-

Details	Date	Shares	Issue price AUD\$	AUD\$'000
At 1.1.2019		183,068,088		2,442
Issue of share on exercise of performance rights	7.8.2019	<u>200,000</u>	-	-
At 31.12.2019		<u>183,268,088</u>		<u>2,442</u>

During the financial year, the Company has issued new ordinary shares of 200,000 on exercise of performance rights by a director.

During the financial year, the Company has purchased nil (2018 – 1,651,897) of its issued ordinary shares from the open market and total consideration paid for the purchases was nil (2018 – AUD\$223,000) including transaction costs. The entire ordinary shares purchased were cancelled in the previous financial year.

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19 MERGER DEFICIT

The merger deficit relates to the subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of subsidiaries and the nominal value of the shares acquired.

20. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

21 OPTION RESERVE

The option reserve represents the equity-settled option granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled option and is reduced by the expiry or exercise of the options and performance rights.

The Group provides benefits to employees of the Group in the form of share-based payments, whereby the employees render services in exchange for share options and performance rights over shares. The total equity-settled share-based payment expense for the financial year AUD\$12,000 (2018 - AUD\$77,000).

Option

The option price and the details in the movement of the options granted are as follows:

Date of Offer	Number of Options Granted	Exercise Price	Vesting and Exercise Date	Expiry Date	← Number of Options Over Ordinary Shares →				
					At 1.1.2019	Granted	Vested	Lapsed	At 31.12.2019
30.3.2017	1,100,000	AUD\$0.30	3 years	AUD\$0.30	1,100,000	-	-	-	1,100,000
30.3.2017	5,540,109	AUD\$0.30	3 years	AUD\$0.30	5,540,109	-	-	-	5,540,109
15.1.2019	4,810,000	AUD\$0.30	3 years	AUD\$0.30	-	4,810,000	-	-	4,810,000
29.5.2019	300,000	AUD\$0.30	3 years	AUD\$0.30	-	300,000	-	-	300,000
	<u>11,750,109</u>				<u>6,640,109</u>	<u>5,110,000</u>	<u>-</u>	<u>-</u>	<u>11,750,109</u>

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21. OPTION RESERVE (CONT'D)

The option price and the details in the movement of the options vested are as follows:

Date of Offer	Number of Options Granted	Exercise Price	Vesting and Exercise Date	Expiry Date	← Number of Options Over Ordinary Shares →				At 31.12.2019
					At 1.1.2019	Vested	Exercised	Lapsed	
30.3.2017	1,100,000	AUD\$0.30	3 years	AUD\$0.30	500,000	300,000	-	-	800,000
30.3.2017	5,540,109	AUD\$0.30	3 years	AUD\$0.30	5,540,109	-	-	-	5,540,109
15.1.2019	4,810,000	AUD\$0.30	3 years	AUD\$0.30	-	-	-	-	-
29.5.2019	300,000	AUD\$0.30	3 years	AUD\$0.30	-	-	-	-	-
	<u>11,750,109</u>				<u>6,040,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,340,109</u>

Performance Right

The details in the movement of the performance rights granted are as follows:

Date of Offer	Class	Number of Performance Right Granted	Terms	← Number of Options Over Ordinary Shares →				At 30.6.2019
				At 1.1.2019	Granted	Vested	Lapsed	
30.3.2017	B	200,000	1	200,000	-	(200,000)	-	-
30.3.2017	C	200,000	2	200,000	-	-	-	200,000
				<u>400,000</u>	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>200,000</u>

Note:

- ¹ - The holder remains engaged by the Company for 1 year from 30 March 2017.
- ² - The holder remains engaged by the Company for 3 years from 30 March 2017.

The details in the movement of the performance rights vested are as follows:

Date of Offer	Class	Number of Performance Right Granted	← Number of Options Over Ordinary Shares →				At 30.6.2019
			At 1.1.2019	Vested	Exercised	Lapsed	
30.3.2017	B	200,000	-	200,000	(200,000)	-	-

No person to whom the share option and performance rights has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

The number of options exercisable as at the end of the reporting period was 6,340,109 (2018 – 6,040,109) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 3 years.

There was equity-settled option of 5,110,000 granted during the financial year (2018 – nil).

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21. OPTION RESERVE (CONT'D)

The fair values of the share options vested were estimated using a binomial model, taking into account the terms and conditions upon which the options were vested. The fair value of the share options measured at vesting date and the assumptions used are as follows:-

	The Group/ The Company	
	2019	2018
Fair value of share options at the grant date (AUD\$)	0.04	0.11
Weighted average ordinary share price (AUD\$)	0.14	0.17
Exercise price of share option (AUD\$)	0.30	0.30
Expected volatility (%)	57.99	95.25
Expected life (years)	5	5
Risk free rate (%)	1.07	2.36
Expected dividend yield (%)	2.22	1.76

22. DIVIDEND

An unfranked interim dividend of 0.40 cents per ordinary share in respect of the financial year ended 31 December 2018. No dividend will be payable in respect to this 31 December 2019

	The Company	
	2019 AUD\$'000	2018 AUD\$'000
	-	735

23. CAPITAL COMMITMENT

Purchase of equipment

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
	28	52

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. OPERATING SEGMENTS

24.1 BUSINESS SEGMENT

The Group operates predominantly in one business segment (affiliate marketing solutions). Accordingly, the information by business segment is not presented.

24.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including deferred tax assets).

Group	Revenue		Non-current Assets	
	2019 AUD\$'000	2018 AUD\$'000	2019 AUD\$'000	2018 AUD\$'000
Indonesia	988	301	85	38
Malaysia	7,780	9,250	2,921	2,332
	<u>8,768</u>	<u>9,551</u>	<u>3,006</u>	<u>2,370</u>

24.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

24.4 DISAGGREGATION OF REVENUE

Revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition as below:-

	Indonesia AUD\$'000	Malaysia AUD\$'000	Group AUD\$'000
2019			
At a point of time	988	6,444	7,432
Over time	-	1,336	1,336
	<u>988</u>	<u>7,780</u>	<u>8,768</u>
2018			
At a point of time	301	7,636	7,937
Over time	-	1,614	1,614
	<u>301</u>	<u>9,250</u>	<u>9,551</u>

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NOTES TO THE PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group made prior year adjustments in relation to the option reserve.

The financial effects arising from the Group's prior year adjustments are as follows:

	Previously reported	Prior year adjustments	As restated
	AUD\$'000	AUD\$'000	AUD\$'000
At 31 December 2018			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	355	(424)	(69)
Option Reserves	77	424	501
At 1 January 2019			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	355	(424)	(69)
Option Reserves	77	424	501
At 1 January 2018			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	1,881	(424)	1,457
Option Reserves	-	424	424

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