AD1 Holdings Limited
ACN 123 129 162
Suite 102, 697 Burke Rd
Hawthorn East, VIC 3132

AD1 announces HY20 results

Melbourne, Australia, 28 February 2020: AD1 Holdings Limited (ASX: AD1) (**AD1** or the **Company**), the provider of customer branded recruitment technology platforms, utilities software billing services and management platforms and related services, today released its results for the half year ended 31 December 2019.

Highlights:

- Revenue from contracts with customers **increased** by ▲**207.8%** to **$1.64 million** compared to HY19
- Cash receipts from customers **increased** by ▲**89.0%** to **$1.59 million** compared to HY19
- Net loss **decreased** by ▼**44.8%** to **$1.68m** compared to HY19
- Successfully launched MyPharmacyCareer web and app solutions for the Pharmacy Guild of Australia in October 2019
- New client wins for the period included iGeno, 3P Energy and Environment Protection Authority Victoria
- Completed placement to a cornerstone investor and Share Purchase Plan in Q1FY20 to raise $1.83 million
- Completed the change of company's name to AD1 Holdings Limited, to better represent our strategy as outlined at the Annual General Meeting in November 2019

Commenting on the Company's half year results, AD1 CEO, Mr Prashant Chandra said: "The first half of FY2020 has seen the Company make significant progress towards its primary objective of achieving organic breakeven.

"The successful launch of the MyPharmacyCareer platform for the Pharmacy Guild of Australia (**Guild**) in October 2019 was a major milestone for the Company. This solution, along with the well-established iworkforNSW and Careers.VIC platforms, provides the Company with a solid multi-year managed services revenue base in the recruitment technology sector. Importantly, these contracts also provide a significant source of ongoing project revenue. It is pleasing that the successful launch of the MyPharmacyCareer platform is now leading to further opportunities with the Guild.

"Following the wins announced during the first half of FY20, the Company enters the second half with strong sales momentum having already signed five new agreements across the NSW Government and the Guild since late December 2019. This momentum is supported by a robust sales pipeline with opportunities in the latter stages of the sales cycle.

"The Company concluded its cost rationalisation program in December 2019 and now has an optimised cost structure that better aligns with our current revenue whilst ensuring the required bandwidth to deliver the Company's organic growth strategy. The full benefit of the optimised cost base will be seen in the second half of FY20."

END

This release has been authorised by the directors of the Company.

Andrew Henderson

Chairman
AD1 Holdings Limited
03 8199 0455

Prashant Chandra

CEO
AD1 Holdings Limited
03 8199 0455

AD1 Holdings Limited
Appendix 4D - Half year report
For the half year ended 31 December 2019

Name of entity:	AD1 Holdings Limited (formerly ApplyDirect Limited)
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the half year ended 31 December 2019
Previous corresponding period:	the half year ended 31 December 2018

Results for announcement to the market

				$
Revenue for ordinary activities	Up	152%	to	1,802,761
Net loss after tax for the period attributable to members (from ordinary activities)	Down	46%	to	1,680,431
Net loss for the period attributable to members	Down	46%	to	1,680,431

Explanation of results

Refer to the "Review of operations" on page 2 of the Directors' report for more information.

Net tangible asset per share

	31 December 2019	30 June 2019
Net tangible asset per share (cents)	0.09	0.08

Dividends

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
Record date for determining entitlements to the dividend - not applicable	-	-

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities - n/a
- Details of associates and joint venture entities - n/a
- Foreign entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Interim review

The interim financial report has been reviewed by AD1 Holdings Limited’s independent auditor which contains a paragraph regarding a material uncertainty in relation to going concern.

AD1 Holdings Limited
(formerly ApplyDirect Limited)

ABN 29 123 129 162

Interim financial report
for the half year 31 December 2019

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by AD1 Holdings Limited (formerly ApplyDirect Limited) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors	Mr Andrew Henderson *Non-Executive Chairman*
	Mr Michael Norster *Non-Executive Director*
	Mr Prashant Chandra *Managing Director & CEO* (appointed 22 October 2019)
	Mr Bryan Petereit *Managing Director & CEO* (resigned 22 October 2019)
Company Secretary	Mr Prashant Chandra Mr Harvey Bui (appointed 11 December 2019)
Principal registered office in Australia	Suite 102, 697 Burke Road Hawthorn East, VIC 3123 1300 554 842
Share and debenture register	Link Market Services Limited Level 12, 680 George Street Sydney New South Wales 2000 +61 2 8280 7100
Auditor	PKF Level 12, 440 Collins Street Melbourne, 3000
Solicitors	Minter Ellison Level 23, Rialto Towers 525 Collins Street Melbourne Victoria 3000
Website	www.applydirect.com.au www.utilitysoftwareservices.com

Directors' report

Your directors present the interim financial report of AD1 Holdings Limited, formerly ApplyDirect Limited ("AD1" or the "Group") for the half year ended 31 December 2019.

Directors

The following persons held office as directors of the Group during the financial period and up to the date of this report, unless otherwise stated:

Mr Andrew Henderson (Non-Executive Chairman)
Mr Michael Norster (Non-Executive Director)
Mr Prashant Chandra (Managing Director & CEO) – appointed 22 October 2019
Mr Bryan Petereit (Managing Director & CEO) – resigned 22 October 2019

Principal activities

During the reporting period, the Group's principal activities are providing and delivering of software services and technology platforms to its customers, and other related supporting and consulting services.

Review of operations

Year to date highlights for HY20:

- Total revenue and cash receipts from contracts with customers for the period were $1.64 million and $1.59 million respectively, and represented 207.8% and 89.0% increase from HY19 respectively
- Successfully launched MyPharmacyCareer web and app solutions for the Pharmacy Guild of Australia in October 2019
- New client wins for the period, included:
  - Environment Protection Authority Victoria for the integration of their Human Resource Management System with the Careers.Vic platform;
  - iGeno Pty Ltd – an embedded networks operator – to provide them with a comprehensive managed services solution for its customer service operations including the use of our SaaS platform; and
  - 3P Energy Pty Ltd to provide strategic services for the establishment and ongoing operations of 3P Energy as a national retailer
- Completed placement to a cornerstone investor and Share Purchase Plan in Q1FY20 to raise $1.83 million
- Completed the change of company's name to AD1 Holdings Limited, to better represent our strategy outlined at the Annual General Meeting in November 2019 ("2019 AGM")
- Completed the cost rationalisation program in HY20 with the full benefits of the optimised cost base to be reflected in the second half of FY20.

As outlined at the 2019 AGM, the Group has undertaken a significant realignment in strategy with the primary objective of taking the Group to a position of sustainable profit heading into FY21.

As its first priority, the Group has rationalised its cost structure to ensure all synergies were harvested whilst still maintaining the essential bandwidth to support its growth strategy. The Group continued to work on this initiative over the first half of the financial year and completed the program in December 2019. Importantly, the optimised cost base represents a reduction in excess of $4 million (annualised) compared to the combined pre-acquisition cost structures across both AD1 and Utility Software Services Pty Ltd ("USS").

The successful launch of the MyPharmacyCareer solution for the Pharmacy Guild of Australia ("Guild") in October 2019 was a significant milestone for the Group. Accordingly, the revenue from this multi-year managed services agreement has now commenced. It is also pleasing that the successful release of this platform has led to further opportunities with the Guild, including an agreement to provide further functionality enhancements to the mobile app offered under the solution which is expected to go live in March 2020.

Review of operations (continued)

Since late December 2019 the Company has also signed further agreements across the NSW Government including new integrations to the iworkforNSW platform (Family and Community Services and Transport) and functionality enhancements to the mobile app for the iworkforNSW platform. These enhancements are expected to be live in in the second half of FY20.

Additionally, the Group has built a strong pipeline of opportunities that are now in the latter stages of the sales cycle.

HY2020 financial results:

Key financial metrics	**HY20**	HY19	Change
	$	$	%
Revenue from contracts with customers	**1,637,020**	531,863	207.8%
Operating expenses	**(3,483,192)**	(3,757,037)	7.3%
Loss for the period	**(1,680,431)**	(3,042,396)	44.8%
Cash receipts from customers	**1,588,854**	840,637	89.0%
Net cash outflows from operating activities	**(2,279,150)**	(2,015,115)	13.1%

Revenue from contracts with customers increased by 207.8% compared to the prior half year. The increase was primarily driven by the addition of a diversified revenue stream through the acquisition of USS in March 2019. Operating expenses reduced by 7.3% compared to the prior half year on account of the Group's cost rationalisation program as outlined above. Accordingly, the net loss for the period decreased significantly compared to the prior half year by 44.8%.

Compared to the prior corresponding period, the Group's cash receipts for services rendered to its customers increased by 89.0% to $1.59 million. The net cash outflow from operating activities increased by 13.1% due to the timing of the Group's R&D rebate, which for the current period was received subsequent to the half year end. Normalising for this timing, the net cash outflows from operating activities reflected a decrease of 9.7% compared to the similar period last year.

The Group has made significant progress towards its objective of achieving a position of sustainable profit. The focus for the second half of FY20 will be to accelerate conversion of the established sale pipeline and continue the prudential management of its cost base.

Further, the Board and management continue to explore complementary EPS accretive acquisition opportunities to create further shareholder value.

Matters subsequent to the end of the financial period

No additional 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 in subsequent financial periods.

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 page 4.

The Directors report has been issued following a resolution of the Directors pursuant to section 306(3) of the *Corporations Act 2001*.

For and on behalf of the Board,

Mr Prashant Chandra
Managing Director & CEO

Melbourne
28 February 2020

Auditor's Independence Declaration to the Directors of AD1 Holdings Limited

In relation to our review of the financial report of AD1 Holdings Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
(b) no contraventions of any applicable code of professional conduct.

This declaration is made in respect of AD1 Holdings Limited and the entities it controlled during the financial period.

PKF
Melbourne, 28 February 2020

Kenneth Weldin
Partner

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2019

	Notes	**31 December 2019 $**	31 December 2018 $
Revenue from continuing operations			
Revenue from contracts with customers	5	**1,637,020**	531,863
Other income		**164,491**	182,778
Interest income		**1,250**	-
		1,802,761	714,641
Expenses			
Employee benefit expense	6	**(1,859,631)**	(1,643,405)
Software development and other IT expense		**(745,708)**	(522,557)
Consulting and professional service expense		**(514,068)**	(974,813)
Advertising and marketing expense		**(58,547)**	(441,970)
Occupancy, utilities and office expense		**(84,587)**	(80,831)
Depreciation and amortisation expense		**(93,391)**	(7,281)
Travel expense		**(21,812)**	(35,398)
Interest expense		**(5,170)**	(2,194)
Other expense		**(100,276)**	(48,588)
Total expenses		**(3,483,192)**	(3,757,037)
Loss before income tax		**(1,680,431)**	(3,042,396)
Income tax expense		**-**	-
Loss for the period		**(1,680,431)**	(3,042,396)
Other comprehensive income			
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(1,680,431)**	(3,042,396)
Loss per share attributable to the ordinary equity holders of the Group:			
Basic loss per share	7	**(0.3)**	(1.3)
Diluted loss per share	7	**(0.3)**	(1.3)

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 31 December 2019

	Notes	**31 December 2019**	30 June 2019 (Restated)
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		**350,025**	838,987
Trade and other receivables		**1,097,398**	702,123
Total current assets		**1,447,423**	1,541,110
Non-current assets			
Property, plant and equipment		**42,565**	56,847
Other non-current assets		**67,700**	67,700
Intangible assets		**1,554,001**	1,596,851
Total non-current assets		**1,664,266**	1,721,398
Total assets		**3,111,689**	3,262,508
LIABILITIES			
Current liabilities			
Trade and other payables		**338,000**	525,494
Employee benefit obligations		**219,848**	277,721
Current tax liabilities		**489,000**	489,000
Contract Liability		**-**	13,140
Total current liabilities		**1,046,848**	1,305,355
Non-current liabilities			
Employee benefit obligations		**20,417**	69,189
Total non-current liabilities		**20,417**	69,189
Total liabilities		**1,067,265**	1,374,544
Net assets		**2,044,424**	1,887,964
EQUITY			
Share capital		**26,368,683**	24,535,633
Reserve		**454,049**	598,198
Accumulated losses		**(24,778,308)**	(23,245,867)
Total equity		**2,044,424**	1,887,964

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

Consolidated statement of changes in equity

For the half year ended 31 December 2019

	Note	Share Capital $	Reserve $	Accumulated losses $	Total $
Balance at 1 July 2018		20,439,014	1,428,928	(19,013,142)	2,854,800
Loss for the period		-	-	(3,042,396)	(3,042,396)
Total comprehensive loss for the period		-	-	(3,042,396)	(3,042,396)
Transactions with owners in their capacity as owners:					
Shares issued		1,020,000	-	-	1,020,000
Capital raising costs		(39,603)	-	-	(39,603)
Share-based payment expense		-	199,262	-	199,262
Options expired/forfeited		-	(143,416)	143,416	-
		980,397	55,846	143,416	1,179,659
Balance at 31 December 2018		21,419,411	1,484,774	(21,912,122)	992,063
Balance at 1 July 2019		**24,535,633**	**598,198**	**(23,245,867)**	**1,887,964**
Adjustment - adoption of AASB 16		**-**	**-**	**(7,252)**	**(7,252)**
Adjusted balance at		**24,535,633**	**598,198**	**(23,253,119)**	**1,880,712**
Loss for the period		**-**	**-**	**(1,680,431)**	**(1,680,431)**
Total comprehensive loss for the period		**-**	**-**	**(1,680,431)**	**(1,680,431)**
Transactions with owners in their capacity as owners:					
Shares issued	8	**1,833,050**	**-**	**-**	**1,833,050**
Options granted	9	**-**	**2,080**	**-**	**2,080**
Options expired/forfeited	9	**-**	**(155,930)**	**155,242**	**(688)**
Share-based payment expense	9	**-**	**9,701**	**-**	**9,701**
		1,833,050	**(144,149)**	**155,242**	**1,844,143**
Balance at 31 December 2019		**26,368,683**	**454,049**	**(24,778,308)**	**2,044,424**

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

Consolidated statement of cash flows

For the half year ended 31 December 2019

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Receipts from customers	**1,588,854**	840,637
Payments to suppliers and employees	**(3,864,084)**	(3,278,699)
R&D Claim	**-**	424,916
Interest income	**1,250**	-
Interest and other costs of finance paid	**(5,170)**	(1,969)
Net cash (outflow) from operating activities	**(2,279,150)**	(2,015,115)
Cash flows from investing activities		
Payments for property, plant and equipment	**(197)**	(3,108)
Net cash (outflow) from investing activities	**(197)**	(3,108)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**1,833,050**	1,020,000
Capital raising costs	**-**	(43,563)
Repayments of lease liabilities	**(42,665)**	-
Net cash inflow from financing activities	**1,790,385**	976,437
Net increase / (decrease) in cash and cash equivalents	**(488,962)**	(1,041,786)
Cash and cash equivalents at the beginning of the financial year	**838,987**	2,729,064
Cash and cash equivalents at end of period	**350,025**	1,687,278

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

Notes to the financial statements

1. Basis of preparation of half-year report

The interim financial statements of AD1 Holdings Ltd, formerly ApplyDirect Limited ("AD1" or the "Group") are for the six (6) months ended 31 December 2019 and are presented in Australian Dollars ($), which is the functional currency of the Group. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2020.

(a) Going concern

The interim financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

During the six months ended 31 December 2019, the Group recorded a consolidated loss of $1,680,431 (31 December 2018: $3,042,396) and net cash outflow from operating activites of $2,279,150 (31 December 2018: $2,015,115). These conditions indicate a material uncertainty that may cast doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the Group as a going concern, the Directors have considered the following:

- recent contract wins, existing revenue streams and the revenue pipeline of the Group;
- continuing cost run rate reduction as a result of the cost and capability leverage across the whole Group;
- the recent capital raise of approximately $1.83 million as part of the recent placement to a cornerstone investor and share purchase plan during the period; and
- the Group's ability to consider available non-dilutive funding alternatives should there be a requirement to manage any short-term timing impacts to the cash flows.

Based on these factors, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgments and have concluded that the range of possible outcomes considered in arriving at this support the entity's ability to continue as a going concern as at the date of this report.

Accordingly, the interim financial statements have been prepared on a going concern basis, which contemplates that continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business, and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) Restatement of comparatives

During the period ended 31 December 2019, the Group reassessed the valuation of the net identifiable assets of Utility Software Services Pty Ltd acquired on 22 March 2019 and concluded that an adjustment of $162,424 is required to be made to the 30 June 2019 comparatives as previously reported. Accordingly, the Group has restated the comparatives at 30 June 2019, as below:

Consolidated statement of financial position	**Previously reported $**	**Restatement $**	**Restated $**
Trade and other receivables	539,699	162,424	**702,123**
Intangible assets	1,759,275	(162,424)	**1,596,851**

The correction does not result in any change on the Group's total asset, net assets or net operating results for the comparative period.

1. Basis of preparation of half-year report (continued)

(c) Reclassification of expenses

The Group has reclassified and recategorised several comparative expense items to align with the current period presentation. This reclassification does not result in any change on the total expense incurred or net loss of the previous period. Details of the reclassification are provided in the below table:

Consolidated statement of profit or loss and other comprehensive income	**Previously reported $**	**Reclassification $**	**Reclassified $**
Expenses			
Employee benefit expense	(1,643,405)	-	**(1,643,405)**
Software development and other IT expense	(481,556)	(41,001)	**(522,557)**
Consulting and professional service expense	(935,379)	(39,434)	**(974,813)**
Advertising and marketing expense	(466,813)	24,843	**(441,970)**
Occupancy, utilities and office expense	-	(80,831)	**(80,831)**
Depreciation and amortisation expense	-	(7,281)	**(7,281)**
Travel expense	(35,398)	-	**(35,398)**
Interest expense	(2,194)	-	**(2,194)**
Other expense	(192,292)	143,704	**(48,588)**
Total expenses	(3,757,037)	-	**(3,757,037)**

2. New Standards adopted as at 1 July 2019

The Group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

(a) AASB 16 Leases

AASB 16 Leases ("AASB 16") replaces AASB 117 *Leases* ("AASB 117") and AASB Interpretation 4 *Determining whether an arrangement contains a lease* ("Interpretation 4"). AASB 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings (or accumulated losses) for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and Interpretation 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 12.95% per annum. The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liability recognised at 1 July 2019:

	$
Operating lease commitments at 30 June 2019 (less than 12 months)	44,292
Adjustments	-
Operating lease liability – before discounting	44,292
Discounted using incremental borrowing rate	(1,626)
Lease liability at 1 July 2019	**42,666**

Due to the timing of the expiration date on the existing operating lease commitment, there was immaterial impact recognised at 31 December 2019. The Group has signed a new operating lease commitment (effective from January 2020), the impact of which will be recognised in the Group's financial position at 30 June 2020.

(b) Other pronouncements

There were no other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted, that have a significant impact on the Group's financial results or position.

3. Significant accounting policies

The accounting policies adopted are consistent with the Group's most recent annual financial statements for the year ended 30 June 2019, except for the adoption of AASB 16 *Leases* ("AASB 16").

As described in Note 2, the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 *Leases* ("AASB 117") and AASB Interpretation 4 *Determining whether an arrangement contains a lease* ("Interpretation 4").

(a) Accounting policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

(b) Accounting policy applicable before 1 July 2019

Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and 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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Deferred tax assets

The Group has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 *Income Taxes* and the fact the Group has not previously generated taxable income.

(ii) Intangible assets

Licenses and customer contracts acquired in a business combination are recognised at fair value on acquisition date. In the process of determining this value, management has exercised judgment and estimation on the useful life of the assets.

(iii) Share based payments

The determination of the fair value of options granted requires the utilisation of numerous variables. The fair value at grant date was determined using a binomial, Black-Scholes or barrier option pricing model.

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 Group and that are believed to be reasonable under the circumstances.

4. Segment information

The Group operates in one segment, being the provision and delivery of software services and technology platforms to its customers, and other related supporting and consulting services. The segment details are therefore fully reflected in the body of the interim financial report.

5. Revenue from contracts with customers

	31 December 2019 $	31 December 2018 $
SaaS and Managed Services	**427,243**	95,910
IT Development and Consulting	**549,573**	208,560
Digital Marketing	**2,141**	227,393
Business Process Outsourcing	**658,062**	-
	1,637,020	531,863
Services transferred over time	**1,637,020**	531,863
	1,637,020	531,863

6. Expenses

	31 December 2019 $	31 December 2018 $
Employee benefit expense		
Share-based payment	**11,093**	199,262
Salaries and wages	**1,718,428**	1,176,929
Superannuation	**143,661**	100,288
Other employee related expenses	**(13,551)**	166,926
	1,859,631	1,643,405

7. Loss per share

(a) Basic & diluted loss per share

	31 December 2019 Cents	31 December 2018 Cents
Basic loss per share	**(0.3)**	(1.3)
Diluted loss per share	**(0.3)**	(1.3)

(b) Reconciliation of loss used in calculating loss per share

	31 December 2019 $	31 December 2018 $
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted loss per share	**(1,680,431)**	(3,042,396)

(c) Weighted average number of shares used as denominator

	31 December 2019 $	31 December 2018 $
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	**516,152,160**	235,097,471

As the Group is still loss making, options over ordinary shares outstanding at 31 December 2019 and 31 December 2018 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation

8. Share capital

(a) Ordinary shares

	31 December 2019 Shares	31 December 2018 Shares	**31 December 2019 $**	31 December 2018 $
Ordinary shares – full paid	**548,058,530**	256,299,655	**26,368,683**	21,459,014
	548,058,530	256,299,655	**26,368,683**	21,459,014

(b) Movements in ordinary share capital

	Number of shares	**$**
31 December 2019		
Opening balance	**425,855,214**	**24,535,633**
Issue of new ordinary shares	**122,203,316**	**1,833,050**
Closing balance	**548,058,530**	**26,368,683**
31 December 2018		
Opening balance	222,299,656	20,439,014
Issue of new ordinary shares	33,999,999	1,020,000
Closing balance	256,299,655	21,459,014

8. Share capital (continued)

(c) Details of movements in ordinary shares

Date	Details	Number of shares	Issue price $	Amount $
31 December 2019				
19-Jul-19	Issue of shares to a cornerstone investor	**43,333,333**	**0.015**	**650,000**
30-Aug-19	Issue of shares under the Share Purchase Plan	**55,536,650**	**0.015**	**833,050**
13-Sep-19	Issue of shares to a cornerstone investor	**23,333,333**	**0.015**	**350,000**
		122,203,316		**1,833,050**
31 December 2018				
4-Oct-18	Issue of shares to sophisticated investors	25,666,667	0.030	770,000
21-Dec-18	Issue of shares to sophisticated investors	8,333,332	0.030	250,000
		33,999,999		1,020,000

9. Reserve

(a) Options reserve

	31 December 2019 Options	31 December 2018 Options	**31 December 2019 $**	31 December 2018 $
Options over ordinary shares	**41,444,219**	71,199,055	**454,050**	1,484,774
	41,444,219	71,199,055	**454,050**	1,484,774

The reserve is used to recognise:

- The fair value of options issued to employees but not exercised; and
- The fair value of options issued for goods and services received but not exercised.

(b) Movements in options reserve

	Number of options	**$**
31 December 2019		
Opening balance	**57,399,053**	**598,198**
Issue of new options over ordinary shares	**4,500,000**	**2,080**
Share based payments expense	**-**	**9,701**
Options forfeited/expired	**(20,454,834)**	**(155,930)**
Closing balance	**41,444,219**	**454,050**
31 December 2018		
Opening balance	53,319,480	1,428,928
Issue of new options over ordinary shares	20,333,323	199,262
Options forfeited/expired	(2,453,748)	(143,416)
Closing balance	71,199,055	1,484,774

9. Reserve (continued)

(c) Details of movements in options reserve

Date	Details	Number of options	Amount $
31 December 2019			
24-Jul-19	Options granted	**4,500,000**	**2,080**
18-Aug-19	Options lapsed	**(125,000)**	**(2,985)**
23-Aug-19	Options lapsed	**(750,000)**	**(17,913)**
4-Sep-19	Options lapsed	**(750,000)**	**(17,913)**
8-Sep-19	Options lapsed	**(250,000)**	**(5,971)**
29-Sep-19	Options lapsed	**(500,000)**	**(11,942)**
5-Oct-19	Options lapsed	**(1,000,000)**	**(23,883)**
11-Oct-19	Options forfeited	**(75,000)**	**(688)**
13-Oct-19	Options lapsed	**(50,000)**	**(1,194)**
28-Nov-19	Options lapsed	**(1,000,000)**	**(23,883)**
1-Dec-19	Options lapsed	**(950,000)**	**(22,689)**
11-Dec-19	Options lapsed	**(250,000)**	**(5,971)**
18-Dec-19	Options lapsed	**(875,000)**	**(20,898)**
20-Dec-19	Options lapsed	**(13,879,834)**	**-**
31-Dec-19	Share-based payment expense for options granted in prior period	**-**	**9,701**
		(15,954,834)	**(144,148)**
31 December 2018			
1-Jul-18	Issue of share based payments under EEIP to employees	9,000,000	-
19-Jul-18	Options expired	(233,766)	(3,740)
27-Jul-18	Options expired	(825,174)	(53,637)
23-Sep-18	Options expired	(194,808)	(6,039)
4-Oct-18	Capital raise options issued – October 2018	8,555,547	-
16-Dec-18	Options expired	(600,000)	(40,000)
16-Dec-18	Options expired	(600,000)	(40,000)
21-Dec-18	Capital raise options issued – December 2018	2,777,776	-
31-Dec-18	Issue of options under ESOP to employees	-	199,262
		17,879,575	55,846

10. Share based payments

(a) Options granted during the period

	31 December 2019 Number of options	**31 December 2019 Average exercise price $**	31 December 2018 Number of options	31 December 2018 Average exercise price $
Opening balance	**57,399,053**	**0.17**	53,319,480	0.34
Granted during the period	**4,500,000**	**0.08**	20,333,323	0.06
Exercised during the period	**-**	**-**	-	-
Forfeited/expired during the period	**(20,454,834)**	**0.14**	(2,453,748)	0.15
Closing balance	**41,444,219**	**0.17**	71,199,055	0.26

10. Share based payments (continued)

(b) Fair value of options granted

The assessed fair value of options granted at grant date was determined using the barrier option pricing model that takes into account the exercise price, barrier price, life of the options, share price at grant date, the expected share price volatility of the underlying share, the expected dividend yield, the risk-free rate for the life of the options, as following:

Grant date	Expiry date	Exercise price $	No. of options granted	Share price at grant date $	Dividend Yield	Risk-free Interest Rate	Fair value at grant date $
24-Jul-19	23-Jul-24	0.050	1,500,000	0.014	Nil	1.00%	6.150
24-Jul-19	23-Jul-24	0.075	1,500,000	0.014	Nil	1.00%	4,500
24-Jul-19	23-Jul-24	0.100	1,500,000	0.014	Nil	1.00%	3,600

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 December 2019 $	31 December 2018 $
Expense from options granted in current period	**2,080**	-
Expense from options granted in prior period	**9,700**	199,262
Reversal of expense from options forfeited in current period	**(688)**	-
	11,093	**199,262**

11. Contingencies

The Group had no contingent liabilities at 31 December 2019 (31 December 2018: nil).

12. Events occurring after the reporting period

No additional 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 in subsequent financial periods.

Directors' declaration

31 December 2019

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 9 to 16 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year on that date, and

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

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

Mr Prashant Chandra
Managing Director & CEO

Melbourne
28 February 2020

Independent Auditor's Review Report to the Members of AD1 Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AD1 Holdings Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a consolidated loss of $1,680,431 and net cash outflows from operating activities of $2,279,150 during the half-year ended 31 December 2019. As stated in Note 1(a) these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

PKF
Melbourne, 28 February 2020

Kenneth Weldin
Partner

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