

1. Company details

Name of entity:	Pureprofile Ltd
ABN:	37 167 522 901
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	35.9% to	24,241,326
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	303.9% to	1,455,651
Loss from ordinary activities after tax attributable to the owners of Pureprofile Ltd	down	32.6% to	(9,749,186)
Loss for the year attributable to the owners of Pureprofile Ltd	down	32.6% to	(9,749,186)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the group after providing for income tax amounted to \$9,749,186 (30 June 2019: \$14,460,042).

EBITDA for the financial year amounted to a profit of \$1,455,651 (30 June 2019: loss of \$713,742).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents earnings before interest, tax, depreciation and amortisation adjusted for non-specific non-cash and significant items.

The following table summarises key reconciling items between statutory loss after income tax and EBITDA from continuing and discontinued operations:

	Consolidated 2020 \$	2019 \$
Loss after income tax	(9,749,186)	(14,460,042)
Add: Depreciation and amortisation	4,350,338	3,803,103
Add: Impairment of assets	2,107,127	2,453,010
Add: Loss on disposal of intangible assets	625,027	1,027,054
Add: Derecognition of goodwill on disposal of businesses	-	3,500,000
Less: Interest income	(105)	(3,246)
Add: Finance costs	4,104,377	2,522,508
Less: Income tax expense/(benefit)	18,073	443,871
EBITDA	<u>1,455,651</u>	<u>(713,742)</u>

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(24.22)</u>	<u>(17.02)</u>

As at 30 June 2020, the net tangible assets per ordinary security presented above is exclusive of right-of-use assets and inclusive of lease liabilities.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited and an unqualified opinion is expected to be issued.

10. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Pureprofile Ltd for the year ended 30 June 2020 is attached.

11. Signed

As authorised by the Board of Directors

Signed 

Date: 31 August 2020

Andrew Edwards
Non-Executive Chairman
Sydney

Pureprofile Ltd

ABN 37 167 522 901

Preliminary Financial Report - 30 June 2020

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Pureprofile Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Revenue from continuing operations	3	24,241,221	26,734,213
Other income	4	899,243	232,055
Interest revenue calculated using the effective interest method		105	1,145
Expenses			
Direct costs of revenue		(10,507,493)	(11,263,048)
Employee benefits expense		(8,995,359)	(11,037,117)
Foreign exchange loss		-	(360,666)
Depreciation and amortisation expense	5	(4,350,338)	(3,439,595)
Impairment of assets		(2,107,127)	-
Loss on disposal of intangible assets		(625,027)	(424,665)
Technology, engineering and licence fees		(2,116,084)	(2,637,564)
Occupancy costs		(326,859)	(1,408,087)
Other expenses		(1,568,018)	(1,931,355)
Finance costs	5	(4,104,377)	(2,377,093)
Loss before income tax expense from continuing operations		(9,560,113)	(7,911,777)
Income tax expense	7	(18,073)	(443,871)
Loss after income tax expense from continuing operations		(9,578,186)	(8,355,648)
Loss after income tax expense from discontinued operations	6	(171,000)	(6,104,394)
Loss after income tax expense for the year attributable to the owners of Pureprofile Ltd		(9,749,186)	(14,460,042)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(32,900)	36,356
Other comprehensive loss for the year, net of tax		(32,900)	36,356
Total comprehensive loss for the year attributable to the owners of Pureprofile Ltd		<u>(9,782,086)</u>	<u>(14,423,686)</u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(9,611,086)	(8,319,292)
Discontinued operations		(171,000)	(6,104,394)
		<u>(9,782,086)</u>	<u>(14,423,686)</u>

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

Pureprofile Ltd
 Statement of profit or loss and other comprehensive income
 For the year ended 30 June 2020

	Note	Consolidated 2020 \$ Cents	2019 \$ Cents
Earnings per share for loss from continuing operations attributable to the owners of Pureprofile Ltd			
Basic earnings per share	25	(8.15)	(7.02)
Diluted earnings per share	25	(8.15)	(7.02)
Earnings per share for loss from discontinued operations attributable to the owners of Pureprofile Ltd			
Basic earnings per share	25	(0.15)	(5.13)
Diluted earnings per share	25	(0.15)	(5.13)
Earnings per share for loss attributable to the owners of Pureprofile Ltd			
Basic earnings per share	25	(8.30)	(12.15)
Diluted earnings per share	25	(8.30)	(12.15)

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

Pureprofile Ltd
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	8	1,768,401	524,322
Trade and other receivables	9	3,717,695	6,413,738
Contract assets		457,093	412,903
Other	10	797,253	688,267
Total current assets		<u>6,740,442</u>	<u>8,039,230</u>
Non-current assets			
Property, plant and equipment	11	187,540	222,226
Right-of-use assets	12	2,374,240	-
Intangibles	13	7,434,547	11,121,341
Total non-current assets		<u>9,996,327</u>	<u>11,343,567</u>
Total assets		<u>16,736,769</u>	<u>19,382,797</u>
Liabilities			
Current liabilities			
Trade and other payables	15	6,027,947	8,509,075
Contract liabilities		377,687	331,421
Borrowings	16	24,366,588	17,245,355
Lease liabilities	17	489,534	-
Income tax		40,275	95,174
Provisions	18	1,944,084	1,997,449
Total current liabilities		<u>33,246,115</u>	<u>28,178,474</u>
Non-current liabilities			
Lease liabilities	19	2,024,027	-
Provisions	20	124,958	80,568
Total non-current liabilities		<u>2,148,985</u>	<u>80,568</u>
Total liabilities		<u>35,395,100</u>	<u>28,259,042</u>
Net liabilities		<u>(18,658,331)</u>	<u>(8,876,245)</u>
Equity			
Issued capital	21	41,461,502	41,461,502
Reserves	22	237,659	270,559
Accumulated losses		<u>(60,357,492)</u>	<u>(50,608,306)</u>
Total deficiency in equity		<u>(18,658,331)</u>	<u>(8,876,245)</u>

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

Pureprofile Ltd
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	41,803,151	234,203	(36,148,264)	5,889,090
Loss after income tax expense for the year	-	-	(14,460,042)	(14,460,042)
Other comprehensive income for the year, net of tax	-	36,356	-	36,356
Total comprehensive loss for the year	-	36,356	(14,460,042)	(14,423,686)
<i>Transactions with owners in their capacity as owners:</i>				
Share buy-back	(341,649)	-	-	(341,649)
Balance at 30 June 2019	<u>41,461,502</u>	<u>270,559</u>	<u>(50,608,306)</u>	<u>(8,876,245)</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2019	41,461,502	270,559	(50,608,306)	(8,876,245)
Loss after income tax expense for the year	-	-	(9,749,186)	(9,749,186)
Other comprehensive loss for the year, net of tax	-	(32,900)	-	(32,900)
Total comprehensive loss for the year	-	(32,900)	(9,749,186)	(9,782,086)
Balance at 30 June 2020	<u>41,461,502</u>	<u>237,659</u>	<u>(60,357,492)</u>	<u>(18,658,331)</u>

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

Pureprofile Ltd
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		28,878,388	44,802,722
Payments to suppliers and employees (inclusive of GST)		<u>(27,359,407)</u>	<u>(42,797,944)</u>
		1,518,981	2,004,778
Receipts from Government grant		234,000	-
Interest received		105	3,246
Interest and other finance costs paid		(255,653)	(2,226,449)
Income taxes (paid)/refunded		<u>(75,064)</u>	<u>(152,357)</u>
Net cash from/(used in) operating activities	24	<u>1,422,369</u>	<u>(370,782)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	11	(30,387)	(52,848)
Payments for intangibles	13	(2,375,521)	(2,742,282)
Proceeds from disposal of business	6	-	650,000
Proceeds from disposal of intangibles		<u>-</u>	<u>9,354</u>
Net cash used in investing activities		<u>(2,405,908)</u>	<u>(2,135,776)</u>
Cash flows from financing activities			
Proceeds from borrowings		5,600,000	4,400,000
Repayment of borrowings		(2,069,339)	(3,883,147)
Repayment of lease liabilities		<u>(1,267,371)</u>	<u>-</u>
Net cash from financing activities		<u>2,263,290</u>	<u>516,853</u>
Net increase/(decrease) in cash and cash equivalents		1,279,751	(1,989,705)
Cash and cash equivalents at the beginning of the financial year		524,322	2,481,770
Effects of exchange rate changes on cash and cash equivalents		<u>(35,672)</u>	<u>32,257</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>1,768,401</u></u>	<u><u>524,322</u></u>

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

Note 1. Change in the accounting policies

New or amended Accounting Standards and Interpretations adopted

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

With the exception of AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19 - Related Rent Concessions, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the group:

Interpretation 23 Uncertainty over Income Tax

The group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

AASB 16 Leases

The group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications 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 recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included 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. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

When adopting AASB 16 from 1 July 2019, the group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Note 1. Change in the accounting policies (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on the statement of financial position as at 1 July 2019 was as follows (increase/(decrease)):

	1 July 2019 \$
Assets	
Right-of-use assets (AASB 16)	<u>2,937,297</u>
Total assets	<u>2,937,297</u>
Liabilities	
Lease liabilities - current (AASB 16)	795,702
Lease liabilities - non-current (AASB 16)	<u>2,141,595</u>
Total liabilities	<u>2,937,297</u>
Equity	
Accumulated losses	-
Total equity	<u>-</u>

Reconciliation from operating lease commitments disclosure at 30 June 2019 to the right-of-use assets at 1 July 2019:

	1 July 2019 \$
Operating lease commitments as at 30 June 2019 (AASB 117)	5,732,875
Adjustment as a result of revised lease term	(2,369,004)
Adjustment for foreign currency differences	129,806
Operating lease commitments discount based on the weighted average incremental borrowing rate between 9.00% - 11.00% (AASB 16)	(327,663)
Short-term leases not recognised as a right-of-use asset (AASB 16)	<u>(228,717)</u>
Right-of-use asset recognised at 1 July 2019	<u><u>2,937,297</u></u>

AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions

The group has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The group has applied the practical expedient to all rent concessions that meet the abovementioned criteria.

Right-of-use assets

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 commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs 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 group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 1. Change in the accounting policies (continued)

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.

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 group's 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 expected 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. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the Coronavirus (COVID-19) pandemic and which relate to payments originally due on or before 30 June 2021.

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.

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments:

- Data & Insights;
- Media; and
- Performance

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represent the corporate headquarters of the group.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for non-cash and significant items). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services are as follows:

Data & Insights	Conducting market research and providing research technology platforms
Media	Buying and selling online advertising inventory on behalf of advertisers and publishers
Performance	Generates leads for clients through its consumer database and proprietary and partner digital assets

During the financial year ended 30 June 2019, on 4 October 2018, the group entered into a binding agreement to sell its media trading business unit (which acquired as part of the acquisition of Sparcmedia in 2015). On 1 March 2019 the group also sold 100% of its interest in Cohort Holdings Australia Pty Ltd and its controlled entities. Both business units were part of the media segment. Refer note 6 for further information.

Major customers

During the years ended 30 June 2020 and 30 June 2019 no single customer contributed more than 10% to the group's external revenue.

Note 2. Operating segments (continued)

Operating segment information (continuing and discontinued operations)

	Data & Insights \$	Media \$	Performance \$	Other segments \$	Total \$
Consolidated - 2020					
Revenue					
Sales to external customers	18,920,659	3,471,696	1,848,866	-	24,241,221
Interest	-	-	-	105	105
Total revenue	18,920,659	3,471,696	1,848,866	105	24,241,326
EBITDA					
Depreciation and amortisation	(3,104,740)	(159,576)	-	(1,086,022)	(4,350,338)
Impairment of intangible assets	-	(2,107,127)	-	-	(2,107,127)
Loss on disposal of intangible assets	(409,068)	(215,959)	-	-	(625,027)
Interest	-	-	-	105	105
Interest expense on leases	-	-	-	(258,152)	(258,152)
Finance costs	-	-	-	(3,846,225)	(3,846,225)
Profit/(loss) before income tax expense	2,717,032	(1,991,201)	245,836	(10,702,780)	(9,731,113)
Income tax expense	-	-	-	-	(18,073)
Loss after income tax expense	-	-	-	-	(9,749,186)

	Data & Insights \$	Media \$	Performance \$	Other segments \$	Total \$
Consolidated - 2019					
Revenue					
Sales to external customers	18,375,807	11,574,006	7,852,283	-	37,802,096
Interest	-	-	-	3,246	3,246
Total revenue	18,375,807	11,574,006	7,852,283	3,246	37,805,342
EBITDA					
Depreciation and amortisation	(2,493,136)	(405,550)	(686,834)	(217,583)	(3,803,103)
Impairment of intangible assets	-	-	(2,453,010)	-	(2,453,010)
Loss on disposal of intangible assets	(212,987)	(602,389)	(211,678)	-	(1,027,054)
Derecognition of goodwill on disposal of businesses	-	(3,500,000)	-	-	(3,500,000)
Finance interest	-	-	-	3,246	3,246
Finance costs	-	-	-	(2,522,508)	(2,522,508)
Profit/(loss) before income tax expense	3,828,417	(2,272,833)	(3,623,020)	(11,948,735)	(14,016,171)
Income tax expense	-	-	-	-	(443,871)
Loss after income tax expense	-	-	-	-	(14,460,042)

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

Note 2. Operating segments (continued)

Revenue by geographical area (continuing and discontinued operations)

The group operates in 3 (2019: 3) regions. The sales revenue for each region is as follows:

	Consolidated 2020	2019
	\$	\$
Sales to external customers		
Australasia	16,642,458	30,740,479
Europe	6,892,055	5,679,573
United States	706,708	1,382,044
	<u>24,241,221</u>	<u>37,802,096</u>

Note 3. Revenue

	Consolidated 2020	2019
	\$	\$
From continuing operations		
Data & Insights	18,920,659	18,375,807
Media	3,471,696	6,145,245
Performance	1,848,866	2,213,161
Revenue from continuing operations	<u>24,241,221</u>	<u>26,734,213</u>

Disaggregation of revenue

Refer to note 2 'Operating segments' for analysis of revenue by major product line and geographical region.

During the financial years ended 30 June 2020 and 30 June 2019, all revenue was recognised based on services transferred over time.

Note 4. Other income

	Consolidated 2020	2019
	\$	\$
Net foreign exchange gain	11,545	-
Net gain on disposal of property, plant and equipment	-	10,203
Government grants (COVID-19)	348,000	-
Rental income	516,049	171,950
Other income	23,649	49,902
Other income	<u>899,243</u>	<u>232,055</u>

Government grants (COVID-19) represents grants received from the Government comprising of JobKeeper support payments. During the Coronavirus ('COVID-19') pandemic, the group has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

Note 5. Expenses

	Consolidated 2020 \$	2019 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Right-of-use assets	906,059	-
Office and computer equipment	114,118	147,693
Total depreciation	1,020,177	147,693
<i>Amortisation</i>		
Software	2,951,985	2,900,551
Membership base	378,176	391,351
Total amortisation	3,330,161	3,291,902
Total depreciation and amortisation	4,350,338	3,439,595
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	3,846,225	2,377,093
Interest and finance charges paid/payable on lease liabilities	258,152	-
Finance costs expensed	4,104,377	2,377,093
<i>Leases</i>		
Variable lease payments	(34,824)	-
Short-term lease payments	254,197	-
Low-value assets lease payments	4,717	-
	224,090	-
<i>Superannuation expense</i>		
Defined contribution superannuation expense	645,736	697,096
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	8,349,623	10,340,021

Note 6. Discontinued operations

Description

On 4 October 2018, the group entered into a binding agreement to sell its media trading business unit ('Media Trading Business'), which was acquired as part of the acquisition of Sparcmedia in 2015. The Media Trading Business was sold for total consideration of \$541,499 comprising \$200,000 which was paid in cash and \$341,649 by way of a buy-back of the company's shares.

On 1 March 2019, the group sold 100% of its interest in Cohort Holdings Australia Pty Ltd and its controlled entities to Unity4. The sale price for the transaction is \$450,000 which was paid in cash.

During the financial year ended 30 June 2020, the discontinued operations represented additional expenses incurred by the group in relation to Cohort Holdings Australia Pty Ltd.

Note 6. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2020	2019
	\$	\$
Revenue from contracts with customers	-	11,067,883
Interest revenue calculated using the effective interest method	-	2,101
Total revenue	-	<u>11,069,984</u>
Other income	-	179,738
Direct cost of sales	-	(7,877,896)
Employee benefits expense	-	(2,141,435)
Foreign exchange gain/(loss)	-	(57,167)
Depreciation and amortisation expense	-	(363,508)
Impairment of intangible assets	-	(2,453,010)
Loss on disposal of intangible assets	-	(602,389)
Technology, engineering and licence fees	-	(290,295)
Occupancy costs	-	(225,026)
Other expenses	(171,000)	(206,229)
Finance costs	-	(145,415)
Total expenses	<u>(171,000)</u>	<u>(14,362,370)</u>
Loss before income tax expense	(171,000)	(3,112,648)
Income tax expense	-	-
Loss after income tax expense	<u>(171,000)</u>	<u>(3,112,648)</u>
Loss on disposal before income tax	-	(2,991,746)
Income tax expense	-	-
Loss on disposal after income tax expense	<u>-</u>	<u>(2,991,746)</u>
Loss after income tax expense from discontinued operations	<u>(171,000)</u>	<u>(6,104,394)</u>

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2020	2019
	\$	\$
Cash and cash equivalents	-	164,114
Trade and other receivables	-	1,660,648
Property, plant and equipment	-	25,478
Intangibles	-	3,667,991
Total assets	<u>-</u>	<u>5,518,231</u>
Trade and other payables	-	1,623,470
Provisions	-	107,092
Total liabilities	<u>-</u>	<u>1,730,562</u>
Net assets	<u>-</u>	<u>3,787,669</u>

Note 6. Discontinued operations (continued)

Details of the disposal

	Consolidated	Consolidated
	2020	2019
	\$	\$
Total sale consideration	-	991,499
Carrying amount of net assets disposed	-	(3,787,669)
Less working capital adjustment	-	(195,576)
	<hr/>	<hr/>
Loss on disposal before income tax	-	(2,991,746)
	<hr/>	<hr/>
Loss on disposal after income tax	-	(2,991,746)
	<hr/> <hr/>	<hr/> <hr/>

Note 7. Income tax expense

	Consolidated	Consolidated
	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	99,035	21,001
Deferred tax - origination and reversal of temporary differences	-	422,870
Adjustment recognised for prior periods	(80,962)	-
	<hr/>	<hr/>
Aggregate income tax expense	<u>18,073</u>	<u>443,871</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 14)	-	422,870
	<hr/>	<hr/>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(9,560,113)	(7,911,777)
Loss before income tax expense from discontinued operations	(171,000)	(6,104,394)
	<hr/>	<hr/>
	<u>(9,731,113)</u>	<u>(14,016,171)</u>
Tax at the statutory tax rate of 30%	(2,919,334)	(4,204,851)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	11,615	8,723
Eligible research and development expenditure	-	95,843
Thin capitalisation - deduction denial amount	622,332	-
Sundry items	632,759	1,065,470
	<hr/>	<hr/>
	<u>(1,652,628)</u>	<u>(3,034,815)</u>
Adjustment recognised for prior periods	(80,962)	-
Current year tax losses not recognised	1,188,135	2,570,636
Derecognition of deferred tax liability on sale of subsidiary	-	(211,087)
Reversal of deferred tax asset on carried forward losses	-	422,870
Derecognition of deferred tax assets	574,836	-
Prior year deferred tax balances no longer recognised	-	729,415
Difference in overseas tax rates	(11,308)	62,695
Research and development tax concession	-	(95,843)
	<hr/>	<hr/>
Income tax expense	<u>18,073</u>	<u>443,871</u>

Note 7. Income tax expense (continued)

	Consolidated 2020 \$	2019 \$
<i>Tax losses not recognised</i>		
Potential unused tax benefit for which no deferred tax asset has been recognised	4,889,618	5,026,658

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2020 \$	2019 \$
Cash at bank	1,758,741	513,991
Cash on deposit*	9,660	10,331
	<u>1,768,401</u>	<u>524,322</u>

* Cash on deposit of \$9,660 (2019: \$10,331) is a restricted cash balance which is held and maintained as security over the group's leased properties.

Note 9. Current assets - trade and other receivables

	Consolidated 2020 \$	2019 \$
Trade receivables	3,765,943	6,560,276
Less: Allowance for expected credit losses	(94,422)	(266,091)
	<u>3,671,521</u>	<u>6,294,185</u>
Other receivables	46,174	119,553
	<u>3,717,695</u>	<u>6,413,738</u>

Note 10. Current assets - other

	Consolidated 2020 \$	2019 \$
Prepayments	797,253	688,267

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2020 \$	2019 \$
Office and computer equipment - at cost	737,841	862,755
Less: Accumulated depreciation	(550,301)	(640,529)
	<u>187,540</u>	<u>222,226</u>

Note 11. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Office and computer equipment \$
Balance at 1 July 2018	377,982
Additions	55,407
Disposals	(1,401)
Sale of businesses	(25,478)
Exchange differences	2,231
Depreciation expense	<u>(186,515)</u>
Balance at 30 June 2019	222,226
Additions	88,380
Disposals	(4,213)
Exchange differences	(4,735)
Depreciation expense	<u>(114,118)</u>
Balance at 30 June 2020	<u><u>187,540</u></u>

Note 12. Non-current assets - right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
Right-of-use assets	2,931,316	-
Less: Accumulated depreciation	<u>(557,076)</u>	-
	<u><u>2,374,240</u></u>	<u><u>-</u></u>

The group leases buildings for its offices and plant and equipment under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Right-of-use assets \$
Balance at 1 July 2019 - initial recognition	2,937,297
Additions	432,196
Exchange differences	(89,194)
Depreciation expense	<u>(906,059)</u>
Balance at 30 June 2020	<u><u>2,374,240</u></u>

Note 13. Non-current assets - intangibles

	Consolidated 2020 \$	2019 \$
Goodwill - at cost	15,503,285	15,503,285
Less: Impairment	(15,503,285)	(13,396,158)
	<u>-</u>	<u>2,107,127</u>
Software - at cost	24,972,053	23,854,594
Less: Accumulated amortisation	(14,301,775)	(11,982,825)
Less: Impairment	(4,598,724)	(4,598,724)
	<u>6,071,554</u>	<u>7,273,045</u>
Customer contracts and partner network arrangement - at cost	3,622,000	3,622,000
Less: Accumulated amortisation	(1,168,990)	(1,168,990)
Less: Impairment	(2,453,010)	(2,453,010)
	<u>-</u>	<u>-</u>
Membership base - at cost	2,694,410	2,694,410
Less: Accumulated amortisation	(1,425,417)	(1,047,241)
	<u>1,268,993</u>	<u>1,647,169</u>
Brand names - at cost	94,000	94,000
	<u>7,434,547</u>	<u>11,121,341</u>

Reconciliations

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

	Goodwill \$	Software \$	Customer contracts and partner network arrangement \$	Membership base \$	Brand names \$	Total \$
Consolidated						
Balance at 1 July 2018	5,607,127	8,678,968	2,725,572	2,038,520	94,000	19,144,187
Additions	-	2,742,880	-	-	-	2,742,880
Disposals	-	(1,028,137)	-	-	-	(1,028,137)
Sale of businesses	(3,500,000)	(167,991)	-	-	-	(3,667,991)
Impairment of assets	-	-	(2,453,010)	-	-	(2,453,010)
Amortisation expense	-	(2,952,675)	(272,562)	(391,351)	-	(3,616,588)
Balance at 30 June 2019	2,107,127	7,273,045	-	1,647,169	94,000	11,121,341
Additions	-	2,375,521	-	-	-	2,375,521
Disposals	-	(625,027)	-	-	-	(625,027)
Impairment of assets	(2,107,127)	-	-	-	-	(2,107,127)
Amortisation expense	-	(2,951,985)	-	(378,176)	-	(3,330,161)
Balance at 30 June 2020	<u>-</u>	<u>6,071,554</u>	<u>-</u>	<u>1,268,993</u>	<u>94,000</u>	<u>7,434,547</u>

Note 14. Non-current assets - deferred tax

	Consolidated	
	2020	2019
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	8,606	21,346
Prepayments	(1,186)	(1,769)
Capitalised expenditure	(565,035)	(1,350,800)
Brand names	(28,200)	(28,200)
Employee benefits	206,513	235,493
Accrued expenses and other payables	62,940	97,829
Provision for reward redemptions	419,148	321,238
Other assets	(694,188)	(533,746)
Business related capital expenditure	152,413	326,245
Research and development expenditure	410,224	853,930
Unrealised FX Loss	28,765	58,434
	<u>-</u>	<u>-</u>
Deferred tax asset	<u>-</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	422,870
Charged to profit or loss (note 7)	-	(422,870)
	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	2,281,193	4,153,807
Accrued expenses	2,424,297	2,964,957
Other payables	1,322,457	1,390,311
	<u>6,027,947</u>	<u>8,509,075</u>

Note 16. Current liabilities - borrowings

	Consolidated	
	2020	2019
	\$	\$
Loans	20,000,000	14,400,000
Interest accrued on loans	4,366,588	776,016
Trade receivables financing facility	-	2,069,339
	<u>24,366,588</u>	<u>17,245,355</u>

Note 16. Current liabilities - borrowings (continued)

As at 30 June 2020, the loan comprises 3 facilities as follows:

- (a) Facility A is \$10,000,000 (30 June 2019: \$10,000,000). Interest is fixed and payable at 20% per annum and is payable on the date the facility expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.
- (b) Facility B is \$3,000,000 (30 June 2019: \$3,000,000). Interest is fixed at 20% per annum and is payable on the date the loan expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.
- (c) Facility C is \$7,000,000 (30 June 2019: \$2,600,000). Interest is fixed and payable at 20% per annum and is payable on the date the facility expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.

The loans are secured by the assets of the group.

Note 17. Current liabilities - lease liabilities

	Consolidated 2020 \$	2019 \$
Lease liability	489,534	-

Note 18. Current liabilities - provisions

	Consolidated 2020 \$	2019 \$
Employee benefits	410,515	453,584
Reward redemption	1,533,569	1,155,052
Rent straight-lining	-	388,813
	<u>1,944,084</u>	<u>1,997,449</u>

Note 19. Non-current liabilities - lease liabilities

	Consolidated 2020 \$	2019 \$
Lease liability	2,024,027	-

Note 20. Non-current liabilities - provisions

	Consolidated 2020 \$	2019 \$
Employee benefits	64,015	80,568
Lease make good	60,943	-
	<u>124,958</u>	<u>80,568</u>

Note 21. Equity - issued capital

	2020 Shares	Consolidated 2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>117,526,063</u>	<u>117,526,063</u>	<u>41,461,502</u>	<u>41,461,502</u>

Ordinary shares

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

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

Share buy-back

There is no current on-market share buy-back.

Note 22. Equity - reserves

	Consolidated 2020 \$	2019 \$
Foreign currency reserve	(211,582)	(178,682)
Share-based payments reserve	<u>449,241</u>	<u>449,241</u>
	<u>237,659</u>	<u>270,559</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 23. Equity - dividends

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

Note 24. Reconciliation of loss after income tax to net cash from operating activities

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

	Consolidated	Consolidated
	2020	2019
	\$	\$
Loss after income tax expense for the year	(9,749,186)	(14,460,042)
Adjustments for:		
Depreciation and amortisation	4,350,338	3,803,103
Impairment of intangibles	2,107,127	2,453,010
Net loss on disposal of non-current assets	629,240	831,380
Foreign currency differences	2,482	1,759
Loss on sale of businesses	-	2,991,746
Capitalised finance cost	3,590,573	-
Interest on lease liabilities	258,152	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,613,240	4,760,248
Increase in contract assets	(44,756)	(144,421)
Decrease in deferred tax assets	-	102,827
Increase in prepayments	(108,986)	(250,815)
Decrease in trade and other payables	(2,453,498)	(793,288)
Increase/(decrease) in contract liabilities	47,148	(53,606)
Decrease in provision for income tax	(54,471)	(130,019)
Increase in deferred tax liabilities	-	320,043
Decrease in employee benefits	(59,622)	(69,553)
Increase in other provisions	294,588	266,846
Net cash from/(used in) operating activities	<u>1,422,369</u>	<u>(370,782)</u>

Note 25. Earnings per share

	Consolidated	Consolidated
	2020	2019
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(9,578,186)</u>	<u>(8,355,648)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(8.15)	(7.02)
Diluted earnings per share	(8.15)	(7.02)

	Consolidated	Consolidated
	2020	2019
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(171,000)</u>	<u>(6,104,394)</u>

Note 25. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,526,063	118,966,097
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(0.15)	(5.13)
Diluted earnings per share	(0.15)	(5.13)
	Consolidated	
	2020	2019
	\$	\$

Earnings per share for loss

Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(9,749,186)</u>	<u>(14,460,042)</u>
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	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,526,063	118,966,097
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(8.30)	(12.15)
Diluted earnings per share	(8.30)	(12.15)

Options have been excluded from the diluted earnings per share as they were anti-dilutive.

Note 26. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.