



Access Innovation Holdings Limited

ABN 12 122 058 708

Interim Report - 31 December 2019

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Access Innovation Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Access Innovation Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Anthony Abrahams
 Deanne Weir
 John Martin
 Alison Loat
 Jonathan Pearce (appointed on 21 January 2020)

Principal activities

Ai-Media delivers fast accurate speech-to-text services, and related analytics.

Broadcast

Since 2004, Ai-Media has provided closed captioning to the Australian broadcast industry.

Non-broadcast

Ai-Media provides live and offline captioning, transcription and audio description services for the education, corporate and government markets. In 2017, Ai-Media began providing captioning on Facebook Live. Ai-Media's application to use captioning data to improve teacher performance is branded "Visible Classroom".

Review of operations

The loss for the Group after providing for income tax amounted to \$3,542,528 (31 December 2018: \$544,231).

A summary of the results for the half-year is as follows:

	31 Dec 2019 \$	31 Dec 2018 \$	Change \$	Change %
Revenue from operating activities	11,366,169	8,822,284	2,543,885	28.8%
Loss after tax	(3,542,528)	(544,231)	(2,998,297)	550.9%
Loss after tax from ordinary activities	(3,542,528)	(544,231)	(2,998,297)	550.9%

Significant changes in the state of affairs

On 29 August 2019, Ai-Media SG Pte. Ltd. a new subsidiary was incorporated in Singapore and started operations during the half-year period.

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

Matters subsequent to the end of the financial half-year

Convertible notes

Subsequent to the end of the financial half-year, the Company raised \$5,830,000 in cash proceeds from entering into various convertible note subscription agreements ('debt notes') between 1 January 2020 and 25 June 2020. The terms of repayment of the debt notes issued is either full repayment of principal and interest, accrued daily at a coupon rate of 8% per annum, on the 30 June 2021, or earlier if there is a liquidity event. In the event there is a liquidity event earlier than 30 June 2021, the value of the debt note at the liquidity event date is converted into ordinary shares with a discount price range. As the number of shares on conversion is variable, the entire financial instrument will be classified as financial liabilities.

Novel Coronavirus (COVID-19)

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). Subsequent to the end of Calendar 2019 year, there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance date event.

Thus far, COVID-19 has had little impact on the operations of the Group and its core operations located in Australia, US and Canada, Europe and Asia. Some work has been impacted due to sporting and event cancellations but this has been compensated for by an upturn in new opportunities across enterprise, corporate and government. At present, the Group continues to operate effectively with business as usual.

As the operations of the Group's customers, suppliers and associates are located primarily in Australia, US and Canada, Europe and Asia, the outbreak of COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of the Group's investments, as well as financial assets such as debtors that are subject to impairment or ECL assessments as appropriate.

The Group's primary sales channels are broadcasters and Enterprise clients. So far, there has been little disruption to the sales channels. This could change if COVID-19 is not brought under control in the medium term.

The Group has no external debt and as at 30 June 2020 had in excess of \$2,400,000 of cash available to the Group. Management believe this is sufficient cash to ride out the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

As the situation remains fluid, due to continuing changes in government policy and evolving business and customer reactions thereto, as at the date these financial statements are authorised for issue, the directors of the Company consider that the financial effects of COVID-19 on the Group's operations and therefore operating results cannot be reasonably estimated.

The directors do not consider the impact to likely compromise the ability of the Group to continue operating for the foreseeable future. No economic impacts resulting from COVID-19 have been included in the financial results for the half-year ended 31 December 2019.

Acquisition of ACS and PostCAP

On 1 May 2020, the Group acquired 100% of the share capital of Alternative Communication Services LLC ('ACS') and PostCAP LLC. The acquisition will be funded by a combination of cash, equity and deferred consideration. The cash component will be met with existing funds raised through the issue of convertible notes. The acquisition of this highly regarded US captioning services company will complement the Group's breakout organic sales growth in the North American market, delivering long term customers, local knowledge and an expanded workforce.

Company's planned liquidity event

The Company is advanced in its plans to raise capital to support its business plans, by conducting an Initial Public Offering ('IPO') on the Australian Stock Exchange ('ASX'). The IPO is scheduled to take place in calendar year 2020.

Shareholder loans extension

The loans from shareholders were renegotiated after the end of the reporting period and are now maturing on the earlier of 45 days post IPO ASX Listing Date or within 5 business days after 31 December 2021 (\$1,615,617) and 31 December 2022 (\$800,000). Interest is payable at the rate of 12% per annum.

The Company is currently planning for an Initial Public Offering (IPO) of its securities on the Australian Stock Exchange in the final quarter of calendar 2020. Repayment of Shareholder Loans, inclusive of accrued interest, is required upon completion of such a liquidity event. It is expected that Shareholder loans would be settled out of IPO proceeds at the time of listing.

No other matter or circumstance has arisen since 31 December 2019 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.

Auditor's independence declaration

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

Access Innovation Holdings Limited
Directors' report
31 December 2019



This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Anthony Abrahams

Anthony Abrahams (1 Jul 2019 - 30 Jun 2020)

Anthony Abrahams
Director
Jul 27, 2020

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28 July 2020

The Board of Directors
Access Innovation Holdings Limited
Level 1, 103 Miller Street
North Sydney NSW 2060
Australia

Dear Board Members

Access Innovation Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Access Innovation Holdings Limited.

As lead audit partner for the review of the interim financial report of Access Innovation Holdings Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

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Access Innovation Holdings Limited
 Statement of profit or loss and other comprehensive income
 For the half-year ended 31 December 2019



	Note	Consolidated 31 Dec 2019 \$	Consolidated 31 Dec 2018 \$
Revenue			
Other income	4	11,366,169	8,822,284
Interest revenue calculated using the effective interest method	5	850,187	-
		83,897	118,366
Expenses			
Cost of sales		(6,277,182)	(4,414,112)
Employee benefits expense		(5,228,905)	(2,026,087)
Depreciation and amortisation expense	6	(1,106,804)	(875,199)
Impairment of assets		(126)	-
Business development costs		(1,151,719)	(466,880)
Networking and information technology costs		(618,438)	(495,490)
Other employment costs		(323,289)	(234,004)
Office expenses		(264,922)	(149,263)
Other expenses		(1,395,552)	(717,226)
Finance costs	6	(307,658)	(193,308)
Loss before income tax benefit		(4,374,342)	(630,919)
Income tax benefit		831,814	86,688
Loss after income tax benefit for the half-year attributable to the owners of Access Innovation Holdings Limited		(3,542,528)	(544,231)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(8,358)	13,757
Other comprehensive income for the half-year, net of tax		(8,358)	13,757
Total comprehensive income for the half-year attributable to the owners of Access Innovation Holdings Limited		<u>(3,550,886)</u>	<u>(530,474)</u>

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

Access Innovation Holdings Limited
Statement of financial position
As at 31 December 2019



	Note	Consolidated	
		31 Dec 2019	30 Jun 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,393,744	1,436,682
Trade and other receivables		5,212,769	3,646,605
Contract assets		205,819	201,797
Investments		272,076	272,076
Income tax refund due		-	495,609
Total current assets		9,084,408	6,052,769
Non-current assets			
Property, plant and equipment		911,143	929,669
Right-of-use assets	7	1,490,937	1,272,235
Intangibles	8	3,626,249	3,068,078
Deferred tax		1,213,482	381,688
Total non-current assets		7,241,811	5,651,670
Total assets		16,326,219	11,704,439
Liabilities			
Current liabilities			
Trade and other payables		4,297,142	1,875,447
Contract liabilities		125,116	153,856
Borrowings	9	2,415,617	764,511
Lease liabilities		778,052	739,116
Income tax		87,387	-
Employee benefits		880,037	766,918
Provisions		1,754,780	1,379,908
Total current liabilities		10,338,131	5,679,756
Non-current liabilities			
Trade and other payables		-	469,917
Borrowings	10	4,013,522	800,000
Lease liabilities		1,398,316	1,277,571
Derivative financial instruments	11	286,000	-
Employee benefits		433,529	402,728
Provisions		265,352	265,352
Total non-current liabilities		6,396,719	3,215,568
Total liabilities		16,734,850	8,895,324
Net assets/(liabilities)		(408,631)	2,809,115
Equity			
Issued capital		8,980,031	8,980,031
Reserves	12	7,757,423	7,432,641
Accumulated losses		(17,146,085)	(13,603,557)
Total equity/(deficiency)		(408,631)	2,809,115

Refer to note 3 for detailed information on Restatement of comparatives.

Access Innovation Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2019



Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	8,980,031	6,601,207	(9,802,689)	5,778,549
Restatement of comparatives on adoption of AASB 16 (note 3)	-	-	21,801	21,801
Balance at 1 July 2018 - restated	8,980,031	6,601,207	(9,780,888)	5,800,350
Loss after income tax benefit for the half-year	-	-	(544,231)	(544,231)
Other comprehensive income for the half-year, net of tax	-	13,757	-	13,757
Total comprehensive income for the half-year	-	13,757	(544,231)	(530,474)
Transactions with owners in their capacity as owners: Employee share options	-	31,626	-	31,626
Balance at 31 December 2018	8,980,031	6,646,590	(10,325,119)	5,301,502

Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2019	8,980,031	7,432,641	(13,676,945)	2,735,727
Restatement of comparatives on adoption of AASB 16 (note 3)	-	-	73,388	73,388
Balance at 1 July 2019 - restated	8,980,031	7,432,641	(13,603,557)	2,809,115
Loss after income tax benefit for the half-year	-	-	(3,542,528)	(3,542,528)
Other comprehensive income for the half-year, net of tax	-	(8,358)	-	(8,358)
Total comprehensive income for the half-year	-	(8,358)	(3,542,528)	(3,550,886)
Transactions with owners in their capacity as owners: Share-based payments	-	333,140	-	333,140
Balance at 31 December 2019	8,980,031	7,757,423	(17,146,085)	(408,631)

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

Access Innovation Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2019



Cash flows from operating activities

Receipts from customers (inclusive of GST)
Payments to suppliers and employees (inclusive of GST)

Interest received
Other revenue
Interest and other finance costs paid
Income taxes refunded

Net cash used in operating activities

Cash flows from investing activities

Payments for property, plant and equipment
Payments for intangibles

Net cash used in investing activities

Cash flows from financing activities

Proceeds from shareholder loans
Proceeds from convertible notes
Repayment of lease liabilities

Net cash (used in)/from financing activities

Net (decrease)/increase in cash and cash equivalents
Cash and cash equivalents at the beginning of the financial half-year
Effects of exchange rate changes on cash and cash equivalents

Cash and cash equivalents at the end of the financial half-year

Note	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
	10,903,860	8,235,371
	(13,793,519)	(9,462,402)
	(2,889,659)	(1,227,031)
	83,897	118,366
	850,187	-
	(307,658)	(97,691)
	583,017	546,768
	(1,680,216)	(659,588)
	(149,915)	(200,583)
8	(1,168,748)	(939,135)
	(1,318,663)	(1,139,718)
	1,615,617	-
	4,500,000	-
	(386,807)	(129,161)
	5,728,810	(129,161)
	2,729,931	(1,928,467)
	672,171	5,595,451
	(8,358)	13,757
	3,393,744	3,680,741

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

Note 1. General information

The financial statements cover Access Innovation Holdings Limited as a group consisting of Access Innovation Holdings Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Access Innovation Holdings Limited's functional and presentation currency.

Access Innovation Holdings Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 6
277 William Street
Melbourne VIC 3000

Principal place of business

Level 1
103 Miller Street
North Sydney NSW 2060

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 July 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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.

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:

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.

Impact of adoption of AASB 16

AASB 16 was adopted using the full retrospective approach and as such the comparatives have been restated. The impact on the financial performance and position of the Group from the adoption of AASB 16 is detailed in note 3.

Note 2. Significant accounting policies (continued)

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with similar characteristics
- accounting for leases which end within 12 months of the date of initial application as short term leases; and
- excluding initial direct costs from the measurement of the right-of-use asset.

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.

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.

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.

Going concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the Group will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

The Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2019 reflects a net loss after income tax of \$3,542,528 (31 December 2018: \$544,231) and the Statement of Cash Flows reflects net cash outflows from operating activities of \$1,680,216 (31 December 2018: \$659,588). As at 31 December 2019, the Statement of Financial Position reflects a net asset deficit position of \$408,631 (30 June 2019: net assets of \$2,809,115) and a net current asset deficit position of \$1,253,723 (30 June 2019: net current asset of \$373,013). The losses and net cash outflows from operating activities are a result of the strategic decision taken by the Group to accelerate its expansion to take advantage of the global market growth opportunity.

The Company is well progressed in its process of an Initial Public Offering ("IPO") on the Australian Securities Exchange in Calendar 2020. Assuming a successful IPO the Convertible Notes will convert into ordinary shares and the Company will have raised a significant amount of capital to pursue its strategic global growth objectives. If the IPO does not proceed, the Company will be required to raise additional capital and will require the support from its Convertible Noteholders to extend the redemption date beyond 30 June 2021 to allow for further fundraising to occur.

Note 2. Significant accounting policies (continued)

In the opinion of the directors the ability of the Group to continue as a going concern is dependent on the following factors:

- Successfully completing the planned IPO in Calendar 2020. Early market feedback from the Non-Deal IPO Roadshow have been positively received;
- Receiving the support of the Convertible Noteholders to defer redemption of the Convertible Notes on 30 June 2021, the Maturity date, if no IPO is concluded;
- If the IPO is not concluded, raising additional equity or debt funding from its Shareholders and Convertible Noteholders; and
- Achieving the continued growth in business through expansion into new markets, resulting in both profitable operations and the generation of net cash inflows from operations.

Based upon the growth of the business achieved to date, the directors are confident of the Company concluding the IPO and, if required, raising additional equity or debt funding and receiving the ongoing support of the Convertible Noteholders to renegotiate an extended redemption date, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

Notwithstanding this, if the IPO is not successfully concluded and the Company cannot raise additional equity or debt funding and receive the ongoing support of the Convertible Noteholders to renegotiate an extended redemption date, a material uncertainty would exist that may cast significant doubt as to whether the Group will continue as a going concern and, therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 3. Restatement of comparatives

Adoption of AASB 16 'Leases'

The Group has adopted AASB 16 'Leases' from 1 July 2019, using the full retrospective approach, resulting in the following restatement of comparatives for the statement of financial position as at 30 June 2019:

- Leased plant and equipment (previously recognised under finance leases) of \$379,508 were reclassified from property, plant and equipment to right-of-use assets
- Additional right-of-use assets of \$892,727 were recognised (discounted based on the weighted average incremental borrowing rate and net of accumulated depreciation)
- Net deferred tax assets increased by \$115,337 (as a result of the net tax effect on right-of-use assets and lease liabilities)
- Finance lease liabilities of \$276,146 (current) and \$428,262 (non-current) were reclassified from borrowings to lease liabilities
- Additional lease liabilities of \$1,312,279 were recognised (current \$462,970 and non-current \$849,309)
- The overall impact on total equity was an increase of \$73,388.

Whilst there has been no interim period presented before as the current year is the first interim report, the impact on the statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018:

- Depreciation of \$192,832 was recognised against the right-of-use assets
- Lease payments of \$203,602 were reclassified from other expenses to principal repayments against lease liabilities
- Finance costs of \$25,932 were recognised against lease liabilities
- Income tax benefit reduced by \$4,549
- Loss after income tax expense reduced by \$10,613

Statement of financial position at the beginning of the earliest comparative period

Retained profits as at 1 July 2018 were restated by \$21,801, as result of right-of-use assets and lease liabilities as described above.

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

Extract	30 Jun 2019	Consolidated	30 Jun 2019
	\$	\$	\$
	Reissued	Adjustment	Restated
Assets			
Non-current assets			
Property, plant and equipment	1,309,177	(379,508)	929,669
Right-of-use assets	-	1,272,235	1,272,235
Deferred tax	266,311	115,377	381,688
Total non-current assets	4,643,566	1,008,104	5,651,670
Total assets	10,696,335	1,008,104	11,704,439
Liabilities			
Current liabilities			
Trade and other payables	2,253,010	(377,563)	1,875,447
Borrowings	1,040,657	(276,146)	764,511
Lease liabilities	-	739,116	739,116
Total current liabilities	5,594,349	85,407	5,679,756
Non-current liabilities			
Borrowings	1,228,262	(428,262)	800,000
Lease liabilities	-	1,277,571	1,277,571
Total non-current liabilities	2,366,259	849,309	3,215,568
Total liabilities	7,960,608	934,716	8,895,324
Net assets	2,735,727	73,388	2,809,115
Equity			
Accumulated losses	(13,676,945)	73,388	(13,603,557)
Total equity	2,735,727	73,388	2,809,115

Note 4. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Service revenue	<u>11,366,169</u>	<u>8,822,284</u>



Note 4. Revenue (continued)

Disaggregation of revenue

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

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Major product lines

- Broadcast
- Non-broadcast

Geographical regions

- Australasia
- North America
- Europe
- Asia

Timing of revenue recognition

- Goods transferred at a point in time
- Services transferred over time

Note 5. Other income

Other revenue

Other revenue relates to IT infrastructure services provided on an ad-hoc and non-recurring basis.

Consolidated
31 Dec 2019 **31 Dec 2018**
\$ **\$**

	7,906,281	6,855,773
	3,459,888	1,966,511
	<u>11,366,169</u>	<u>8,822,284</u>
	8,886,095	7,950,839
	1,233,402	256,214
	958,275	615,231
	288,397	-
	<u>11,366,169</u>	<u>8,822,284</u>
	6,607,655	5,022,138
	4,758,514	3,800,146
	<u>11,366,169</u>	<u>8,822,284</u>

Consolidated
31 Dec 2019 **31 Dec 2018**
\$ **\$**

	<u>850,187</u>	<u>-</u>
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Note 6. Expenses

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	126,797	110,187
Plant and equipment	41,644	40,008
Buildings - right-of-use	206,830	192,832
Plant and equipment - right-of-use	120,956	128,237
Total depreciation	496,227	471,264
<i>Amortisation</i>		
Development	580,463	352,897
Intellectual property	38	86
Software	30,076	50,952
Total amortisation	610,577	403,935
Total depreciation and amortisation	1,106,804	875,199
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	238,977	167,376
Interest and finance charges paid/payable on lease liabilities	24,681	25,932
Convertible notes interest	44,000	-
Finance costs expensed	307,658	193,308
<i>Leases</i>		
Short-term lease payments held in office expenses	276,915	138,792
<i>Superannuation expense</i>		
Defined contribution superannuation expense	614,088	491,027

Note 7. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Buildings - right-of-use	1,979,700	1,645,521
Less: Accumulated depreciation	(959,624)	(752,794)
	<u>1,020,076</u>	<u>892,727</u>
Plant and equipment - right-of-use	1,203,001	990,692
Less: Accumulated depreciation	(732,140)	(611,184)
	<u>470,861</u>	<u>379,508</u>
	<u>1,490,937</u>	<u>1,272,235</u>

Additions to the right-of-use assets during the half-year were \$546,488.

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



Note 7. Non-current assets - right-of-use assets (continued)

Reconciliations

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

Consolidated

Balance at 1 July 2019
Additions
Depreciation expense
Balance at 31 December 2019

Buildings - right-of-use of-use \$	Plant and equipment - right- of-use \$	Total \$
892,727	379,508	1,272,235
334,179	212,309	546,488
(206,830)	(120,956)	(327,786)
<u>1,020,076</u>	<u>470,861</u>	<u>1,490,937</u>

Note 8. Non-current assets - intangibles

Goodwill - at cost
Development - at cost
Less: Accumulated amortisation
Intellectual property - at cost
Less: Accumulated amortisation
Software - at cost
Less: Accumulated amortisation

Consolidated	
31 Dec 2019	30 Jun 2019
\$	\$
389,434	389,434
5,688,058	4,532,802
(2,527,415)	(1,946,952)
<u>3,160,643</u>	<u>2,585,850</u>
325,942	325,942
(325,942)	(325,904)
-	38
1,176,872	1,163,380
(1,100,700)	(1,070,624)
<u>76,172</u>	<u>92,756</u>
<u>3,626,249</u>	<u>3,068,078</u>

Reconciliations

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

Consolidated

Balance at 1 July 2019
Additions
Amortisation expense
Balance at 31 December 2019

Goodwill \$	Development \$	Intellectual property \$	Software \$	Total \$
389,434	2,585,850	38	92,756	3,068,078
-	1,155,256	-	13,492	1,168,748
-	(580,463)	(38)	(30,076)	(610,577)
<u>389,434</u>	<u>3,160,643</u>	<u>-</u>	<u>76,172</u>	<u>3,626,249</u>

Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Bank overdraft	-	764,511
Shareholder loans	2,415,617	-
	<u>2,415,617</u>	<u>764,511</u>

Shareholder loans

The loans from shareholders are interest bearing and were due to mature on 30 September 2020. Subsequent to the end of the reporting period, the loans from shareholders were renegotiated and are now maturing on the earlier of 45 days post IPO ASX Listing Date or within 5 business days after 31 December 2021 (\$1,615,617) and 31 December 2022 (\$800,000). Interest is payable at the rate of 12% per annum. The Company is planning an IPO for Calendar 2020 when the Shareholder Loans and accrued interest will be settled out of the cash proceeds from the IPO.

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Convertible notes	4,013,522	-
Shareholder loans	-	800,000
	<u>4,013,522</u>	<u>800,000</u>

Convertible notes

The Group has raised \$4,500,000 on the 13 December 2019 through the issuance of 4,500,000 convertible notes with a face value of \$1.00 per note. The note has an 8.00% coupon interest rate (accrued daily) and becomes repayable in cash on the 30 June 2021 (maturity date). If a liquidity event occurs before the maturity date, monies owing (being principal and interest accrued daily to the liquidity event) is converted into ordinary shares based on the following conversion discounts:

- If a liquidity event occurs on or before 30 June 2020, a 20% discount to the price per ordinary share (as determined by the company acting reasonably) paid under the liquidity event;
- If a liquidity event occurs between 1 July 2020 and 31 December 2020, a 25% discount to the price per Ordinary share (as determined by the Company acting reasonably) paid under the liquidity event; and
- If a liquidity event occurs on and from 1 January 2021, a 30% discount to the price per ordinary share (as determined by the Company acting reasonably) paid under the liquidity event;

All of the above scenarios is subject to a pre-money valuation cap of \$110,000,000 in aggregate for all equity securities. This is the valuation of all equity securities on which the appropriate conversion discounts shall apply.

The contractual right to repay cash to the note holders matures on the 30 June 2021, thus the liability has been disclosed as a non-current liability. However, management expect to meet the criteria for a liquidity event prior in the calendar year 2020. As the number of shares to be issued in the event of a liquidity event is variable and contingent upon the liquidity event itself, it has been classified as a financial liability. The debt host contract has been measured at amortised cost and the derivative component has been measured at fair value through the profit and loss. (see note 11).



Note 11. Non-current liabilities - derivative financial instruments

Consolidated	
31 Dec 2019	30 Jun 2019
\$	\$
286,000	-

Derivative financial instrument

Refer to note 14 for further information on fair value measurement.

Derivative financial instruments refers to the derivative component of the convertible notes as disclosed in note 11.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not classified as fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial instrument out of the fair value through profit or loss category.

Note 12. Equity - reserves

Consolidated	
31 Dec 2019	30 Jun 2019
\$	\$
6,242	14,600
7,575,506	7,382,745
175,675	35,296
<u>7,757,423</u>	<u>7,432,641</u>

Foreign currency translation reserve
Employee share scheme reserve
Employee share option reserve

Foreign currency translation 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.

Employee share scheme ('ESS') reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Employee share option reserve

The reserve is used to recognise the value of share options provided to employees and directors as part of their remuneration.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency translation reserve	Employee share scheme reserve	Employee share option reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2019	14,600	7,382,745	35,296	7,432,641
Foreign currency translation	(8,358)	-	-	(8,358)
Share-based payments	-	192,761	140,379	333,140
Balance at 31 December 2019	<u>6,242</u>	<u>7,575,506</u>	<u>175,675</u>	<u>7,757,423</u>

Note 13. Equity - dividends

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

Note 14. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Derivative financial instruments	-	286,000	-	286,000
Total liabilities	-	286,000	-	286,000

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments have been valued using a discounted cash flow model.

Note 15. Contingent liabilities

The Group has given bank guarantees as at 31 December 2019 of \$264,962 (30 June 2019: \$264,962) to various landlords.

Note 16. Events after the reporting period

Convertible notes

Subsequent to the end of the financial half-year, the Company raised \$5,830,000 in cash proceeds from entering into various convertible note subscription agreements ('debt notes') between 1 January 2020 and 25 June 2020. The terms of repayment of the debt notes issued is either full repayment of principal and interest, accrued daily at a coupon rate of 8% per annum, on the 30 June 2021, or earlier if there is a liquidity event. In the event there is a liquidity event earlier than 30 June 2021, the value of the debt note at the liquidity event date is converted into ordinary shares with a discount price range. As the number of shares on conversion is variable, the entire financial instrument will be classified as financial liabilities.

Novel Coronavirus (COVID-19)

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). Subsequent to the end of Calendar 2019 year, there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance date event.

Thus far, COVID-19 has had little impact on the operations of the Group and its core operations located in Australia, US and Canada, Europe and Asia. Some work has been impacted due to sporting and event cancellations but this has been compensated for by an upturn in new opportunities across enterprise, corporate and government. At present, the Group continues to operate effectively with business as usual.

As the operations of the Group's customers, suppliers and associates are located primarily in Australia, US and Canada Europe and Asia, the outbreak of COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of the Group's investments, as well as financial assets such as debtors that are subject to impairment or ECL assessments as appropriate.

Note 16. Events after the reporting period (continued)

The Group's primary sales channels are broadcasters and Enterprise clients. So far, there has been little disruption to the sales channels. This could change if COVID-19 is not brought under control in the medium term.

The Group has no external debt and as at 30 June 2020 had in excess of \$2,400,000 of cash available to the Group. Management believe this is sufficient cash to ride out the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

As the situation remains fluid, due to continuing changes in government policy and evolving business and customer reactions thereto, as at the date these financial statements are authorised for issue, the directors of the Company consider that the financial effects of COVID-19 on the Group's operations and therefore operating results cannot be reasonably estimated.

The directors do not consider the impact to likely compromise the ability of the Group to continue operating for the foreseeable future. No economic impacts resulting from COVID-19 have been included in the financial results for the half-year ended 31 December 2019.

Acquisition of ACS and PostCAP

On 1 May 2020, the Group acquired 100% of the share capital of Alternative Communication Services LLC ('ACS') and PostCAP LLC. The acquisition will be funded by a combination of cash, equity and deferred consideration. The cash component will be met with existing funds raised through the issue of convertible notes. The acquisition of this highly regarded US captioning services company will complement the Group's breakout organic sales growth in the North American market, delivering long term customers, local knowledge and an expanded workforce.

Company's planned liquidity event

The Company is advanced in its plans to raise capital to support its business plans, by conducting an Initial Public Offering ('IPO') on the Australian Stock Exchange ('ASX'). The IPO is scheduled to take place in calendar year 2020.

Shareholder loans extension

The loans from shareholders were renegotiated after the end of the reporting period and are now maturing on the earlier of 45 days post IPO ASX Listing Date or within 5 business days after 31 December 2021 (\$1,615,617) and 31 December 2022 (\$800,000). Interest is payable at the rate of 12% per annum.

The Company is currently planning for an Initial Public Offering (IPO) of its securities on the Australian Stock Exchange in the final quarter of calendar 2020. Repayment of Shareholder Loans, inclusive of accrued interest, is required upon completion of such a liquidity event. It is expected that Shareholder loans would be settled out of IPO proceeds at the time of listing.

No other matter or circumstance has arisen since 31 December 2019 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.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Tony Abrahams

Tony Abrahams (Jul 27, 2020 10:24 GMT+10)

Anthony Abrahams

Director

Jul 27, 2020

July 2020

For personal

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

We have reviewed the accompanying interim financial report of Access Innovation Holdings Limited and its subsidiaries (the "Group"), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the Access Innovation Holdings Limited are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim 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, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's and consolidated entity's 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 an interim 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Access Innovation Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 entity's financial position 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 2 in the interim financial report which indicates that the Group incurred a net loss after income tax of \$3,542,528 and incurred net cash outflows from operating activities of \$1,680,216 during the half year ended 31 December 2019 and had a net assets deficiency of \$408,631 and a net current asset deficit position of \$1,253,723 including \$3,393,744 of cash and cash equivalents at 31 December 2019. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 28 July 2020

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