

COSOL Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: COSOL Limited
ACN: 635 371 363
Reporting period: For the half-year ended 31 December 2021
Previous period: For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	44.2% to	22,569,124
Profit from ordinary activities after tax attributable to the owners of COSOL Limited	up	40.9% to	2,599,286
Profit for the half-year attributable to the owners of COSOL Limited	up	40.9% to	2,599,286

Dividends

The Directors have declared a \$0.0092 interim dividend payable to all ordinary shareholders for the current financial year. The dividend will be fully franked. The record date for the entitlements to this dividend will be 31 March 2022 with the payment 14 April 2022.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$2,599,286 (31 December 2020: \$1,845,132).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(4.91)</u>	<u>(0.47)</u>

4. Control gained over entities

Name of entities (or group of entities) Clarita Solutions Pty Ltd
Date control gained 1 September 2021

5. Dividends

Current period

The Directors have declared a \$0.0092 interim dividend payable to all ordinary shareholders for the current financial year. The dividend will be fully franked. The record date for the entitlements to this dividend will be 31 March 2022 with the payment 14 April 2022.

A final dividend for the year ended 30 June 2021 of 1 cent (2020: - cents) per ordinary share was paid on 29 October 2021 (record date 1 October 2021).

COSOL Limited
Appendix 4D
Half-year report

Previous period

The Directors declared a 0.5 cent interim dividend payable to all ordinary shareholders for the previous financial half year. The dividend was fully franked. The record date for entitlements to this dividend was 31 March 2021 with payment on 15 April 2021.

6. Foreign entities

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

The results for AddOns Inc are prepared in accordance with Australian Accounting Standards (AAS).

7. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of COSOL Limited for the half-year ended 31 December 2021 is attached.

9. Signed



Signed

Geoffrey Lewis
Chairman

Date: 22 February 2022

COSOL Limited

Interim Report - 31 December 2021

ACN 635 371 363

COSOL Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of COSOL 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 2021.

Directors

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

Geoffrey James Lewis (Chairman)
Gerald Peter Strautins
Grant Anthony Pestell
Stephen Edward Oliver Johnston
Benjamin Thomas Buckley (Managing Director)

Dividends

The Directors have declared a \$0.0092 interim dividend payable to all ordinary shareholders for the current financial year. The dividend will be fully franked. The record date for entitlements to this dividend will be 31 March 2022 with the payment 14 April 2022.

Dividends paid during the financial half-year were as follows:

	Consolidated	
	For the half year ended 31 December 2021	For the half year ended 31 December 2020
	\$	\$
Final dividend for the year ended 30 June 2021 of 1 cent (2020: - cents) per ordinary share	<u>1,329,717</u>	<u>-</u>

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$2,934,338 (31 December 2020: \$1,845,132).

Revenue for the consolidated entity for the half year amounted to \$22,565,486 (31 December 2020: \$15,654,936)

Significant changes in the state of affairs

On 1 September 2021, the Company acquired Clarita Solutions Pty Ltd, a managed IT services, software and professional services business based in Brisbane, Australia.

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

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.

COSOL Limited
Directors' report
31 December 2021

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Geoffrey Lewis
Chairman

22 February 2022

For personal use only

ELDERTON

AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Cosol Limited

As auditor for the review of Cosol Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

22 February 2022

COSOL Limited
Contents
31 December 2021

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	23
Independent auditor's review report to the members of COSOL Limited	24

General information

The financial statements cover COSOL Limited as a consolidated entity consisting of COSOL Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is COSOL Limited's functional and presentation currency.

COSOL Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Murcia Pestell Hillard Lawyers
Suite 183 Level 6,
580 Hay Street
PERTH WA 6000

Principal place of business

Level 3, 201 Leichhardt Street,
Spring Hill
QUEENSLAND 4000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022.

COSOL Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
		For the half year ended 31 December 2021	For the half year ended 31 December 2020
	Note	\$	\$
Revenue	2	22,565,486	15,654,936
Other income	3	9,401	80,903
Interest income		3,638	848
Expenses			
Cost of sales		(12,718,561)	(9,957,347)
Depreciation and amortisation expense	4	(219,598)	(269,315)
Salaries & Wages		(3,799,014)	(1,577,178)
Share based payments		(64,206)	(217,748)
Operating and General Expenses		(2,198,648)	(1,149,748)
Finance costs		(112,611)	(47,499)
Profit before income tax expense		3,465,887	2,517,852
Income tax expense	5	(866,601)	(672,720)
Profit after income tax expense for the half-year attributable to the owners of COSOL Limited		2,599,286	1,845,132
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of COSOL Limited		<u>2,599,286</u>	<u>1,845,132</u>
		Cents	Cents
Basic earnings per share	23	1.93	1.43
Diluted earnings per share	23	1.82	1.35

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

COSOL Limited
Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 December 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		5,650,384	4,184,432
Trade and other receivables		6,367,643	5,861,576
Inventories		101,144	139,989
Prepayments and other current assets	6	4,247,282	2,664,898
Total current assets		<u>16,366,453</u>	<u>12,850,895</u>
Non-current assets			
Property, plant and equipment	7	301,229	241,254
Right-of-use assets	8	75,867	214,531
Intangibles	9	39,824,005	24,382,638
Deferred tax		439,198	603,370
Total non-current assets		<u>40,640,299</u>	<u>25,441,793</u>
Total assets		<u>57,006,752</u>	<u>38,292,688</u>
Liabilities			
Current liabilities			
Trade payables		2,654,832	1,563,695
Bank loans	10	3,931,800	1,000,000
Lease liability	11	95,528	263,742
Income tax		322,096	(69,440)
Employee benefits	12	1,080,956	675,353
Deferred consideration and other provisions		2,150,976	3,327,437
Accrued and other liabilities	13	4,689,521	3,015,085
Total current liabilities		<u>14,925,709</u>	<u>9,775,872</u>
Non-current liabilities			
Bank loans	14	6,880,631	1,250,000
Lease liability		32,094	18,169
Deferred tax		90,023	276,710
Deferred consideration		2,978,903	1,795,691
Total non-current liabilities		<u>9,981,651</u>	<u>3,340,570</u>
Total liabilities		<u>24,907,360</u>	<u>13,116,442</u>
Net assets		<u>32,099,392</u>	<u>25,176,246</u>
Equity			
Issued capital	15	25,474,206	20,029,972
Reserves		510,272	300,928
Retained profits		6,114,914	4,845,346
Total equity		<u>32,099,392</u>	<u>25,176,246</u>

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

COSOL Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$	Share based payment reserve \$	Foreign exchange reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	17,987,986	10,652	-	1,506,412	19,505,050
Profit after income tax expense for the half-year	-	-	-	1,845,132	1,845,132
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	1,845,132	1,845,132
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	2,093,131	-	-	-	2,093,131
Share-based payments (note 24)	-	217,748	-	-	217,748
Foreign currency translation	-	-	(57,255)	-	(57,255)
Adjustment to tax on listing fees for equity issue	(27,764)	-	-	-	(27,764)
Balance at 31 December 2020	20,053,353	228,400	(57,255)	3,351,544	23,576,042

Consolidated	Issued capital \$	Share based payment reserve \$	Foreign exchange reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	20,029,972	314,903	(13,975)	4,845,346	25,176,246
Profit after income tax expense for the half-year	-	-	-	2,599,286	2,599,286
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	2,599,286	2,599,286
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	5,475,000	-	-	-	5,475,000
Share-based payments (note 24)	-	134,502	-	-	134,502
Foreign currency translation	-	-	74,841	-	74,841
Adjustment to tax on listing fees for equity issue	(30,766)	-	-	-	(30,766)
Dividends paid (note 16)	-	-	-	(1,329,717)	(1,329,717)
Balance at 31 December 2021	25,474,206	449,405	60,866	6,114,915	32,099,392

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

COSOL Limited
Statement of cash flows
For the half-year ended 31 December 2021

		Consolidated	
		For the half year ended 31 December 2021	For the half year ended 31 December 2020
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,932,023	16,306,822
Payments to suppliers and employees (inclusive of GST)		<u>(20,777,366)</u>	<u>(10,764,246)</u>
		4,154,657	5,542,576
Interest received		3,638	848
Other revenue		9,401	80,903
Interest and other finance costs paid		(112,611)	(47,499)
Income taxes paid		<u>(497,580)</u>	<u>(822,574)</u>
Net cash from operating activities	22	<u>3,557,505</u>	<u>4,754,254</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	20	(6,637,514)	(851,501)
Payments for prior period's business acquisition	20	(2,795,381)	(3,704,619)
Payments for property, plant and equipment	7	(115,197)	(32,931)
Payments for intangibles	9	<u>(350,722)</u>	<u>-</u>
Net cash used in investing activities		<u>(9,898,814)</u>	<u>(4,589,051)</u>
Cash flows from financing activities			
Proceeds from issue of shares	15	694,234	-
Proceeds from bank loan		9,795,381	3,000,000
Repayment of bank loan		(1,232,950)	(250,000)
Dividends paid	16	(1,329,717)	-
Repayment of lease liabilities		<u>(154,289)</u>	<u>(259,065)</u>
Net cash from financing activities		<u>7,772,659</u>	<u>2,490,935</u>
Net increase in cash and cash equivalents		1,431,350	2,656,138
Cash and cash equivalents at the beginning of the financial half-year		4,184,432	6,774,536
Effects of exchange rate changes on cash and cash equivalents		<u>34,602</u>	<u>(68,907)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>5,650,384</u></u>	<u><u>9,361,767</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

Note 2. Revenue

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Rendering of services	19,763,171	14,967,675
Product sales	<u>2,802,315</u>	<u>687,261</u>
Revenue	<u><u>22,565,486</u></u>	<u><u>15,654,936</u></u>

Note 3. Other income

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Government grants	236	70,000
Reimbursement of expenses	<u>9,165</u>	<u>10,903</u>
Other income	<u><u>9,401</u></u>	<u><u>80,903</u></u>

Note 4. Depreciation and amortisation expense

	Consolidated	
	For the half year ended 31 December 2021	For the half year ended 31 December 2020
	\$	\$
Depreciation on property, plant and equipment	59,890	80,741
Amortisation of right-of-use assets	139,958	188,574
Amortisation of website	19,750	-
	<u>219,598</u>	<u>269,315</u>

Note 5. Income tax expense

	Consolidated	
	For the half year ended 31 December 2021	For the half year ended 31 December 2020
	\$	\$
<i>Income tax expense</i>		
Current tax	1,032,591	704,781
Adjustment recognised for prior periods	2,576	20,144
Deferred tax - origination and reversal of temporary differences	<u>(168,566)</u>	<u>(52,205)</u>
Aggregate income tax expense	<u>866,601</u>	<u>672,720</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>3,465,887</u>	<u>2,517,852</u>
Tax at the statutory tax rate of 25% (2020: 26%)	866,472	654,642
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	9,859
Non-deductible expenses	25,953	-
State taxes	18,208	-
Intercompany creditor adjustment	(3,025)	-
Share-based payments	-	56,614
Amortisation of due diligence costs	-	15,363
Non assessable income	-	(18,200)
Deductible equity raising costs	<u>(15,766)</u>	<u>(18,997)</u>
	891,842	699,281
Adjustment recognised for prior periods	2,576	20,144
Current half-year tax losses not recognised	-	(4,596)
Current half-year temporary differences not recognised	-	(27,747)
Difference in overseas tax rates	(27,817)	(25,462)
Adjustment to deferred tax balances as a result of change in statutory tax rate	<u>-</u>	<u>11,100</u>
Income tax expense	<u>866,601</u>	<u>672,720</u>

COSOL Limited
Notes to the financial statements
31 December 2021

Note 5. Income tax expense (continued)

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
<i>Amounts charged directly to equity</i>		
Deferred tax assets	30,766	51,145
	<u>30,766</u>	<u>51,145</u>

Note 6. Current assets - Prepayments and other current assets

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Accrued revenue	2,489,612	2,031,066
Prepayments	1,201,826	252,477
Other current assets	555,844	381,355
	<u>4,247,282</u>	<u>2,664,898</u>

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Leasehold improvements - at cost	24,213	23,944
Less: Accumulated depreciation	(11,560)	(8,890)
	<u>12,653</u>	<u>15,054</u>
Fixtures and fittings - at cost	19,928	19,088
Less: Accumulated depreciation	(6,672)	(5,622)
	<u>13,256</u>	<u>13,466</u>
Computer equipment - at cost	323,812	211,061
Less: Accumulated depreciation	(119,047)	(89,625)
	<u>204,765</u>	<u>121,436</u>
Office equipment - at cost	233,302	221,816
Less: Accumulated depreciation	(164,290)	(132,815)
	<u>69,012</u>	<u>89,001</u>
Low value asset pool - at cost	2,379	2,379
Less: Accumulated depreciation	(1,962)	(1,820)
	<u>417</u>	<u>559</u>
Computer software - at cost	2,814	2,716
Less: Accumulated depreciation	(1,688)	(978)
	<u>1,126</u>	<u>1,738</u>
	<u>301,229</u>	<u>241,254</u>

COSOL Limited
Notes to the financial statements
31 December 2021

Note 7. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Buildings and improvements \$	Computers \$	Furniture and fixtures \$	Low value asset pool \$	Office equipment \$	Computer software \$	Total \$
Balance at 1 July 2021	15,054	121,436	13,466	559	89,001	1,738	241,254
Additions	-	110,307	-	-	4,890	-	115,197
Additions through business combinations (note 20)	-	-	852	-	-	-	852
Exchange differences	194	1,676	-	-	1,888	57	3,815
Depreciation expense	(2,597)	(28,652)	(1,063)	(142)	(26,767)	(668)	(59,889)
Balance at 31 December 2021	<u>12,651</u>	<u>204,767</u>	<u>13,255</u>	<u>417</u>	<u>69,012</u>	<u>1,127</u>	<u>301,229</u>

Note 8. Non-current assets - right-of-use assets

	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
Land and buildings - right-of-use	620,258	617,679
Less: Accumulated depreciation	(544,391)	(403,148)
	<u>75,867</u>	<u>214,531</u>

Reconciliations

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

Consolidated	\$	Total \$
Balance at 1 July 2021	214,531	214,531
Exchange differences	1,294	1,294
Depreciation expense	(139,958)	(139,958)
Balance at 31 December 2021	<u>75,867</u>	<u>75,867</u>

Note 9. Non-current assets - Intangibles

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Goodwill - at cost	39,381,116	24,270,721
System development - at cost	350,722	-
Website - at cost	118,500	118,500
Less: Accumulated amortisation	(26,333)	(6,583)
	<u>92,167</u>	<u>111,917</u>
	<u><u>39,824,005</u></u>	<u><u>24,382,638</u></u>

Reconciliations

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

Consolidated	Goodwill \$	System Development \$	Website \$	Total \$
Balance at 1 July 2021	24,270,721	-	111,917	24,382,638
Additions	-	350,722	-	350,722
Additions through business combinations (note 20)	16,132,890	-	-	16,132,890
Revaluation decrements	(1,022,495)	-	-	(1,022,495)
Amortisation expense	-	-	(19,750)	(19,750)
Balance at 31 December 2021	<u><u>39,381,116</u></u>	<u><u>350,722</u></u>	<u><u>92,167</u></u>	<u><u>39,824,005</u></u>

Note 10. Current liabilities - bank loans

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Bank loans	<u><u>3,931,800</u></u>	<u><u>1,000,000</u></u>

Refer to note 17 for further information on financial instruments.

Note 11. Current liabilities - lease liability

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Lease liability - rent right-of-use	83,074	227,116
Lease liability - equipment	12,454	36,626
	<u><u>95,528</u></u>	<u><u>263,742</u></u>

Refer to note 17 for further information on financial instruments.

COSOL Limited
Notes to the financial statements
31 December 2021

Note 12. Current liabilities - employee benefits

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Annual leave	830,162	611,569
Long service leave	240,594	71,502
Employee benefits	10,200	(7,718)
	<u>1,080,956</u>	<u>675,353</u>

Note 13. Current liabilities - Accrued and other liabilities

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Payroll tax payable	185,486	393,662
Superannuation payable	417,807	340,957
GST payable	681,692	451,820
Accrued expenses	830,354	687,383
Deferred revenue	2,315,162	799,254
Other current liabilities	259,020	342,009
	<u>4,689,521</u>	<u>3,015,085</u>

Note 14. Non-current liabilities - bank loans

The consolidated entity has secured additional banking facilities from Bankwest. This comprises a term debt facility of \$12,000,000, a multi-option facility for \$3,250,000 and a corporate credit card facility for \$250,000, with \$10,800,000 drawn as at the balance date. The term of the facilities expire on 19 November 2024. They have been provided on an unsecured basis and are subject to the group continuing to meet several performance covenants. As at 31 December 2021, the group was in compliance with all these covenants.

	Consolidated	
	31 December	
	2021	30 June 2021
	\$	\$
Bank loans	<u>6,880,631</u>	<u>1,250,000</u>

Refer to note 17 for further information on financial instruments.

Note 15. Equity - issued capital

	Consolidated			
	31 December		31 December	
	2021	30 June 2021	2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>141,722,818</u>	<u>131,771,695</u>	<u>25,474,206</u>	<u>20,029,972</u>

COSOL Limited
Notes to the financial statements
31 December 2021

Note 15. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	131,771,695		20,029,972
Issue of shares	29 September 2021	1,200,000	\$0.36	435,000
Issue of shares	19 November 2021	7,951,123	\$0.59	4,750,000
Issue of shares	22 November 2021	800,000	\$0.36	290,000
Adjustment to tax effect of listing fees		-	\$0.00	(30,766)
Balance	31 December 2021	<u>141,722,818</u>		<u>25,474,206</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 16. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Final dividend for the year ended 30 June 2021 of 1 cent (2020: - cents) per ordinary share	<u>1,329,717</u>	<u>-</u>

Note 17. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Note 17. Financial instruments (continued)

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	31 December 2021		30 June 2021	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Bankwest term debt	3.35%	10,812,431	4.19%	2,750,000
Net exposure to cash flow interest rate risk		<u>10,812,431</u>		<u>2,750,000</u>

For the consolidated entity the bank loans outstanding, totalling \$10,812,431 (2020: \$2,750,000), are principal and interest payment loans. Quarterly cash outlays of approximately \$90,000 (2020: \$24,000) per quarter are required to service the interest payments. Minimum principal repayments of \$3,196,000 (2020: \$750,000) are due during the financial year ending 30 June 2022.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2021.

Note 19. Related party transactions

Parent entity

COSOL Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 21.

Transactions with related parties

The following transactions occurred with related parties:

Mr Pestell, a non-executive Director, is Managing Director and part owner of, and has significant influence over, Murcia Pestell Hillard Lawyers, the consolidated entity's Australian legal adviser. Murcia Pestell Hillard Lawyers is not a material services supplier to the consolidated entity and the consolidated entity is not a material client of Murcia Pestell Hillard Lawyers. During the financial period, the consolidated entity paid fees as below in connection with the provision of legal services. These transactions occurred within a normal customer-supplier relationship and on terms and conditions no more favourable than those available to other parties on an arms-length basis.

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Payment for goods and services:		
Payment for services from other related party	163,456	122,067

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

COSOL Limited
Notes to the financial statements
31 December 2021

Note 20. Business combinations

On 1 September 2021, COSOL Limited acquired 100% of the ordinary shares of Clarita Solutions Pty Ltd for the total consideration transferred of \$15.5 million. This is a managed services, IT, software and professional services business based in Brisbane, Australia. The consideration amount is settled by COSOL Limited through issuance of shares amounting to \$4.75 million, cash consideration amounting to \$7 million, and assumed earn out consideration \$3.75 million. The acquisition was in line with COSOL's stated objective of moving to become a global player in the enterprise asset management services space. The acquisition resulted in goodwill of \$16,062,594 to be recognised in the consolidated financial statements. The acquired business contributed revenues of \$3.5 million and profit after tax of \$0.75 million to the consolidated entity for the period from 1 September 2021 to 31 December 2021.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	1,638,299
Trade receivables	1,176,355
Prepayments	782,419
Other current assets	115,181
Trade payables	(302,681)
Deferred revenue	(1,617,662)
Accrued expenses	(160,167)
Provision for dividend	(1,275,813)
Employee benefits	(336,021)
Other liabilities	(582,504)
Net liabilities acquired	(562,594)
Goodwill	16,132,890
Acquisition-date fair value of the total consideration transferred	<u>15,570,296</u>
Representing:	
Cash paid or payable to vendor	7,000,000
COSOL Limited shares issued to vendor	4,750,000
Contingent consideration	3,820,296
	<u>15,570,296</u>
Acquisition costs expensed to profit or loss	<u>48,170</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	15,570,296
Add: dividend paid post acquisition	1,275,813
Less: cash and cash equivalents	(1,638,299)
Less: contingent consideration	(3,820,296)
Less: shares issued by company as part of consideration	(4,750,000)
Net cash used	<u>6,637,514</u>

COSOL Limited
Notes to the financial statements
31 December 2021

Note 20. Business combinations (continued)

On 1 September 2020, COSOL Limited acquired 100% of the ordinary shares of AddOns Inc for the total consideration transferred of \$6,838,559. This is a managed services, IT, software and professional services business based in Denver, Colorado, USA. The consideration amount is settled by COSOL Limited through issuance of shares amounting to \$2.1 million, cash consideration amounting to \$2.4 million, and assumed earn out consideration \$2.4 million. The acquisition was in line with COSOL's stated objective of moving to become a global player in the enterprise asset management services space. The acquisition resulted in goodwill of \$6,062,632 to be recognised in the consolidated financial statements. The acquired business contributed revenues of \$3.0 million and profit after tax of \$0.4 million to the consolidated entity for the period from 1 September 2020 to 31 December 2020.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	1,525,057
Trade receivables	863,764
Accrued revenue	74,857
Prepayments	52,480
Other current assets	40,794
Buildings and improvements	7,600
Computers	37,882
Furniture and Fixtures	29,701
Office equipment	186,756
Computer software	2,776
Right-of-use assets	751,028
Trade payables	(315,140)
Employee benefits	(188,657)
Accrued expenses	(138,726)
Deferred revenue	(121,430)
Lease liability	(939,647)
Other liabilities	<u>(1,093,168)</u>
Net assets acquired	775,927
Goodwill	<u>6,062,632</u>
Acquisition-date fair value of the total consideration transferred	<u><u>6,838,559</u></u>
Representing:	
Cash paid or payable to vendor	2,376,558
COSOL Limited shares issued to vendor	2,093,131
Contingent consideration	<u>2,368,870</u>
	<u><u>6,838,559</u></u>
Acquisition costs expensed to profit or loss	<u><u>59,088</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,838,559
Less: cash and cash equivalents	(1,525,057)
Less: contingent consideration	(2,368,870)
Less: shares issued by company as part of consideration	<u>(2,093,131)</u>
Net cash used	<u><u>851,501</u></u>

COSOL Limited
Notes to the financial statements
31 December 2021

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2021 %	30 June 2021 %
COSOL Australia Pty Limited	Australia	100.00%	100.00%
AddOns Inc	USA	100.00%	100.00%
Clarita Solutions Pty Ltd	Australia	100.00%	-

Note 22. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Profit after income tax expense for the half-year	2,599,286	1,845,132
Adjustments for:		
Depreciation and amortisation	219,597	269,315
Share-based payments	134,502	217,748
Foreign currency differences	35,130	6,006
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	670,288	(598,244)
Decrease/(increase) in inventories	38,845	(121,271)
Decrease/(increase) in deferred tax assets	164,172	(24,441)
Increase in accrued revenue	(458,546)	-
Increase in prepayments	(166,930)	(83,320)
Increase in other operating assets	(130,456)	(100,400)
Increase/(decrease) in trade payables	887,002	(207,328)
Increase/(decrease) in provision for income tax	391,536	(125,413)
Decrease in deferred tax liabilities	(186,687)	-
Increase/(decrease) in employee benefits	69,582	(59,195)
Increase/(decrease) in other provisions	6,751	(104,142)
Increase/(decrease) in other operating liabilities	(716,567)	3,839,807
Net cash from operating activities	<u>3,557,505</u>	<u>4,754,254</u>

Note 23. Earnings per share

	Consolidated	
	For the half year ended 31 December 2021 \$	For the half year ended 31 December 2020 \$
Profit after income tax attributable to the owners of COSOL Limited	<u>2,599,286</u>	<u>1,845,132</u>
	Cents	Cents
Basic earnings per share	1.93	1.43
Diluted earnings per share	1.82	1.35
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	134,416,794	129,297,380
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>8,672,826</u>	<u>7,246,311</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>143,089,620</u>	<u>136,543,691</u>

Note 24. Share-based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

The options granted as part of the COSOL Limited employee share option plan are as laid out below:

	Number of options	Weighted average exercise price	Number of options For the half year ended	Weighted average exercise price For the half year ended
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Outstanding at the beginning of the financial half-year	9,337,500	\$0.61	5,000,000	\$0.21
Granted	750,000	\$0.95	4,525,000	\$0.40
Exercised	<u>(2,000,000)</u>	\$0.36	-	\$0.00
Outstanding at the end of the financial half-year	<u>8,087,500</u>	\$0.70	<u>9,525,000</u>	\$0.61

COSOL Limited
Notes to the financial statements
31 December 2021

Note 24. Share-based payments (continued)

Tranche	Grant date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ other	Balance at the end of the period
Tranche 1 Mr McGowan	24/04/2020	\$0.3625	1,200,000	-	(1,200,000)	-	-
Tranche 2 Mr McGowan	24/04/2020	\$0.415	900,000	-	-	-	900,000
Tranche 3 Mr McGowan	24/04/2020	\$0.415	900,000	-	-	-	900,000
Tranche 1 Mr Buckley	24/04/2020	\$0.3625	800,000	-	(800,000)	-	-
Tranche 2 Mr Buckley	24/04/2020	\$0.415	600,000	-	-	-	600,000
Tranche 3 Mr Buckley	24/04/2020	\$0.415	600,000	-	-	-	600,000
Tranche 1 Senior Leadership Team	01/07/2020	\$0.61	-	762,500	-	(93,750)	668,750
Tranche 2 Senior Leadership Team	01/07/2020	\$0.7	-	762,500	-	(93,750)	668,750
Tranche 4 Mr Buckley	17/11/2020	\$0.9	-	1,500,000	-	-	1,500,000
Tranche 5 Mr Buckley	17/11/2020	\$1.0	-	1,500,000	-	-	1,500,000
Tranche 3 Senior Leadership Team	02/12/2021	\$0.95	-	750,000	-	-	750,000
			<u>5,000,000</u>	<u>5,275,000</u>	<u>(2,000,000)</u>	<u>(187,500)</u>	<u>8,087,500</u>

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 2.02 years (2020: 2.41 years).

COSOL Limited
Directors' declaration
31 December 2021

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 consolidated entity's financial position as at 31 December 2021 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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Geoffrey Lewis
Chairman

22 February 2022

ELDERTON

AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Cosol Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the 31 December 2021 financial report of Cosol Limited ('the Company') and its controlled entities (collectively referred to as 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the director's declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying 31 December 2021 financial report of the Group has not been prepared, in all material respects, in accordance with Australian Accounting Standards and the *Corporation Act 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

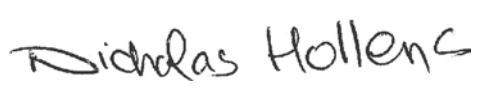
Management of the Group are responsible for the preparation and fair presentation of the 31 December 2021 financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control management determine is necessary to enable the preparation and fair presentation of the 31 December 2021 financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report has not been prepared, in all material respects in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

A review of a 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.


Elderton Audit Pty Ltd


Nicholas Hollens
Managing Director

22 February 2022
Perth

Limited liability by a scheme approved under Professional Standards Legislation

T +61 8 6324 2900

E info@eldertongroup.com

A Level 2, 267 St Georges Terrace, Perth WA 6000

ABN 51 609 542 458

W www.eldertongroup.com