



AD1 Holdings Limited

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ad1holdings.com.au

AD1 releases HY22 results

Melbourne, Australia, 28 February 2022: AD1 Holdings Limited (ASX: AD1) (**AD1** or the **Company**) today released its results for the half year ended 31 December 2022

Key highlights of HY22:

- Significant revenue and customer receipts growth of 48.6% and 68.0%, respectively compared to HY21.
- HR Tech (recruitment and mentoring solutions):
 - Addition of 39 new logos with an estimated lifetime value of over \$3 million in the first half of FY22.
 - Milestone contract signed with HR.com, a US-based HR social network containing 1.9 million HR professionals, which has created a pathway for AD1 to connect with new networks across North America, creating a significant new active pipeline to be realised in H2FY22.
 - Major contract wins across the board including Australian Department of Defence, Royal Australian Air Force, Queensland Department of Premier & Cabinet and Zimmer Biomet along with 4 other international clients.
 - Our “Off the shelf” new product build has created the opportunity to provide our existing customers with a more robust product and improved customer experience with contract renewal discussions underway. The extension of Pharmacy Guild was an important renewal.
 - Continued product innovation continues across both HR Tech businesses. The employment market is under pressure globally and the AD1 products are well positioned to compete and create value in this highly competitive market.
- Utility Billing Solution
 - Continued to observe a steady organic growth of 6% and 27% compared to FY21 and HY21, respectively with new opportunities in the pipeline progressing through later stages.
- \$5 million in funding secured in a partnership with PURE Asset Management (**PURE**) to execute its immediate and expanding growth strategy.

Commenting on the results for HY22, the CEO of AD1, Mr Brendan Kavenagh said: “As we closed out the first six months of FY22, I am pleased to report on the significant progress that the teams have made across all three businesses, with the continued focus on building the foundations of each business across the whole group.”

“As outlined in my letter in the 2021 Annual Report, a successful year for AD1 always starts with having a highly engaged and productive team. We continue to prioritise our people across each business and will appoint a dedicated People and Culture manager to facilitate improved engagement, retention, and development for the businesses in the 3rd QTR of FY22.”

“Improved customer satisfaction has been observed across the group, with customer retention remaining high at 90%. This is a key focus for the teams as we strive to provide high levels of satisfaction.”



“Pleasingly, channel partners continue to be a key focus to realise growth opportunities. Art of Mentoring continues its growth trajectory and is on track to exceed 100% revenue growth year on year. The pipeline is accelerating both locally and offshore and we continue discussions with channel partners across North America as we deliver on our strategy to lead with AoM into the US market. The recent signing of the US Department of Labour and other channel partners provides us with a great ‘land and expand’ opportunity when combined with the HR.com network which positions us for accelerated strong growth. The AoM management team are headed to the US early March to further cement these newly formed partnerships and meet with new opportunities that have been created.”

“Not yet running at the same speed as AoM, ApplyDirect continues to mature its product offerings to enable faster onboarding of customers and to attract more logos and expedite revenue growth. We are confident that our existing customers will continue to provide organic growth through additional projects, added services and enhancements. The “Off the shelf” SaaS opportunity has not been as quick to market as originally planned. We have listened to market feedback and taken a considered approach to ensure excellent product market fit. Our aim is to have 100 customers at pilot stage by end of June 22. This product is being developed to be a highly scalable global opportunity that will follow AoM into the US market.”

“USS continues its organic growth. We have a pipeline with new logos expected to close soon with implementations to begin in the coming months. We are currently undergoing a marketing and product refresh and actively planning new marketing campaigns.”

“As we continue to pursue our growth strategy, I am pleased to welcome our new partnership with PURE and their confidence in our strategy. The capital secured was necessary and important not only to fuel our growth appetite but also to minimise our existing shareholder dilution”.

“The first half of FY22 has seen us build a stronger base from which to grow. We have implemented a range of new initiatives that include a marketing website refresh for AD1 Group as well as new website and associated marketing materials for ApplyDirect. We have made significant investment into stabilising and improving existing products, onboarding new staff and working to execute the growth strategy that we have committed to while realising synergies where we can across the group, exploring potential acquisitions and executing on our customer 1st, people and customer growth strategy.”

“As communicated in previous market releases, the second half of FY22 will start with us continuing to work on refining and enhancing our existing service offerings across all businesses. The priorities of the second half will be securing the capabilities required and executing on accelerating our growth through both customer retention and building up a stronger pipeline both domestic and international.”

END

This release has been authorised by the Chairman and CEO of the Company.

Andrew Henderson

Chairman
AD1 Holdings Limited
03 8199 0455

Brendan Kavenagh

CEO
AD1 Holdings Limited
03 8199 0455

AD1 Holdings Limited

Appendix 4D - Half year report

For the half year ended 31 December 2021

Name of entity: AD1 Holdings Limited
ABN or equivalent company reference: ACN 123 129 162
Current reporting period: the half year ended 31 December 2021
Previous corresponding period: the half year ended 31 December 2020

Results for announcement to the market

Revenue for ordinary activities	Up	53%	to	3,368,610	\$
Net loss after tax for the period attributable to members (from ordinary activities)*	Up	32%	to	2,139,987	
Net loss for the period attributable to members	Up	32%	to	2,139,987	

*Net loss from ordinary activities includes share based payments expense and one off transaction costs. Please refer to the accompanying interim financial report for further details.

Explanation of results

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

Net tangible asset per share

	31 December 2021	30 June 2021
Net tangible asset per share (cents)	(0.22)	(0.47)

Dividends

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

Other information required by Listing Rule 4.2A

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

Interim review

The interim financial report has been reviewed by AD1 Holdings Limited's independent auditor and the review report is attached as part of the interim report.

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AD1 Holdings Limited

ABN 29 123 129 162

**Interim financial report
for the half year 31 December 2021**



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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by AD1 Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Corporate Directory

Directors	Mr Andrew Henderson <i>Non-Executive Chairman</i> Mr Michael Norster <i>Non-Executive Director</i> Mr Nicholas Smedley <i>Non-Executive Director</i> Mr Brendan Kavenagh <i>Managing Director & CEO</i>
Company Secretary	Mr Harvey Bui
Principal registered office in Australia	Suite 102, 697 Burke Road Hawthorn East, VIC 3123 1300 554 842
Share and debenture register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 +61 2 8280 7100
Auditor	PKF Level 12, 440 Collins Street Melbourne, VIC 3000
Solicitors	Thomas Geer Level 39, Rialto Towers 525 Collins Street Melbourne, VIC 3000
Website	www.ad1holdings.com.au www.utilitysoftwareservices.com www.artofmentoring.net

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Directors' report 31 December 2021

Directors' report

Your directors present the interim financial report of AD1 Holdings Limited ("the Company") and the entities it controlled (together, the "Group", or "AD1") for the half year ended 31 December 2021.

Directors

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

Mr Andrew Henderson (Non-Executive Chairman)
Mr Michael Norster (Non-Executive Director)
Mr Nicholas Smedley (Non-Executive Director)
Mr Brendan Kavenagh (Managing Director & CEO)

Principal activities

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

Review of operations

Revenue from contracts with customers increased by \$997,097 or 48.6% compared to the prior half year, driven by both additional months of revenue from the Art of Mentoring (AoM) business (acquired in October 2021) as well as organic growth from existing revenue stream.

Net loss for the period of \$2,139,987 represented an increase of 32.3% compared to the prior half year. After normalised for a fair value adjustment related to the AoM acquisition contingent consideration, the adjusted net loss for this period was \$1,782,055, or a 10.1% increase compared to the prior half year. The increase was primarily driven by one-off expenditure from the change of management earlier in the fiscal year as well as the investment in accelerating our growth strategy for the first six months of the year as previously communicated.

The Company reported cash receipts from customers of \$3,791,167, an increase of 68% compared to the prior corresponding period. Cash outflows from operating activities increased by \$811,537 (169%) with a net cash outflow for the period of \$775,213. Cash balance as at the end of HY22 was reported at \$4,616,494, representing a 782% increase from the end of FY21.

Please refer to the HY22 results announcement released on the ASX on the same day with this report for further information.

COVID-19 and impact on the Company's state of affairs

Given the strength of the Company's underlying revenue streams, the Company was able to perform well under the pandemic restrictions that existed during most of 2020. The Company experienced significant delays in decision making from prospective customers as a result of the ongoing economic uncertainty. However, with improving conditions the Company is building on its sales momentum with new wins outlined above and a strong sales pipeline.

Seamless service delivery to our customers whilst ensuring the health and safety of all our staff is our highest priority. In addition to complying with the guidelines recommended by the health authorities through the various stages, the Company enabled all staff to work remotely in the early stages of the outbreak and has continued to maintain its services without any disruptions. The benefit of cloud-hosting all of our solutions also enables our platforms to continue operating with no impact.

The Company acknowledges that there remains a risk of further or additional government restrictions, which may result in further sales pipeline execution delays. The Company continues to monitor the conditions for any changes and will update the market accordingly.



**Directors' report
31 December 2021**

Significant changes in the current reporting period

On 24 December 2021, the Company secured \$5 million in funding from PURE Asset Management to execute its immediate and expanding growth strategy.

Matters subsequent to the end of the financial period

No additional matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in subsequent financial periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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

For and on behalf of the Board,

Mr Brendan Kavenagh
Managing Director & CEO

Melbourne
28 February 2022

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

In relation to our review of the financial report of AD1 Holdings Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

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

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



PKF
Melbourne, 28 February 2022



Kenneth Weldin
Partner

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Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Revenue from continuing operations			
Revenue from contracts with customers	3	3,049,068	2,051,971
Other income		319,462	151,202
Interest income		80	7
		<u>3,368,610</u>	<u>2,203,180</u>
Expenses			
Employee benefit expense	4	(2,406,611)	(2,382,995)
Software development and other IT expense		(739,074)	(420,966)
Consulting and professional service expense		(1,207,591)	(693,021)
Advertising and marketing expense		(243,156)	(45,871)
Occupancy, utilities and office expense		(82,012)	(64,985)
Depreciation and amortisation expense		(265,946)	(164,497)
Travel expense		(861)	(198)
Interest expense		(108,868)	(11,041)
Other expense		(454,479)	(37,518)
Total expenses		<u>(5,508,598)</u>	<u>(3,821,091)</u>
Loss before income tax		<u>(2,139,987)</u>	<u>(1,617,912)</u>
Income tax expense		-	-
Loss for the period		<u>(2,139,987)</u>	<u>(1,617,912)</u>
Other comprehensive income			
<i>Other comprehensive income for the period, net of tax</i>		-	-
Total comprehensive loss for the period		<u>(2,139,987)</u>	<u>(1,617,912)</u>
Loss per share attributable to the ordinary equity holders of the Group:			
Basic loss per share	5	(0.34)	(0.28)
Diluted loss per share	5	(0.34)	(0.28)

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



Consolidated statement of financial position

As at 31 December 2021

	31 December 2021	30 June 2021
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	4,616,494	523,477
Trade and other receivables	1,971,235	1,873,287
Total current assets	6,587,729	2,396,764
Non-current assets		
Property, plant and equipment	303,480	103,716
Other non-current assets	82,327	82,327
Intangible assets	6 7,416,790	6,544,477
Total non-current assets	7,802,597	6,730,520
Total assets	14,390,326	9,127,284
LIABILITIES		
Current liabilities		
Trade and other payables	1,381,946	1,555,157
Employee benefit obligations	324,377	302,666
Current tax liabilities	306,376	437,680
Lease liability	8 30,734	54,224
Contract liability	879,412	492,867
Borrowings	9 500,000	-
Other liabilities	7 1,417,366	1,290,313
Total current liabilities	4,840,211	4,132,907
Non-current liabilities		
Employee benefit obligations	79,167	57,120
Lease liability	8 216,275	-
Borrowings	9 3,333,333	-
Other liabilities	7 -	1,241,827
Total non-current liabilities	3,628,775	1,298,947
Total liabilities	8,468,986	5,431,854
Net assets	5,921,340	3,695,430
EQUITY		
Share capital	31,426,364	29,156,778
Reserve	3,647,466	1,606,434
Accumulated losses	(29,152,490)	(27,067,782)
Total equity	5,921,340	3,695,430

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



Consolidated statement of changes in equity

For the half year ended 31 December 2021

	Note	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2020		26,368,683	53,702	(24,870,475)	1,551,910
Adjusted Balance at 1 July 2020		26,368,683	598,198	(23,253,119)	1,880,712
Loss for the period		-	-	(1,617,912)	(1,617,912)
Total comprehensive loss for the period		-	-	(1,617,912)	(1,617,912)
Transactions with owners in their capacity as owners:					
Shares issued		2,500,000	-	-	2,500,000
Options granted		-	1,244,627	-	1,244,627
Capital raising costs		(212,463)	-	-	(212,463)
Share-based payment expense		-	8,628	-	8,628
Acquisition of business combination		500,558	-	-	500,558
Options expired/forfeited		-	(22,250)	22,250	-
Balance at 31 December 2020		29,156,778	1,284,706	(26,466,137)	3,975,348
Balance at 1 July 2021		29,156,778	1,606,434	(27,067,782)	3,695,430
Opening balance adjustment		-	-	55,279	55,279
Loss for the period		-	-	(2,084,708)	(2,084,708)
Total comprehensive loss for the period		-	-	(2,084,708)	(2,084,708)
Transactions with owners in their capacity as owners:					
Shares issued	10	1,852,000	-	-	1,852,000
Options granted	11	-	1,765,908	-	1,765,908
Capital Raising Costs	10	(55,120)	-	-	(55,120)
Options expired/forfeited	11	-	(41,885)	-	(41,885)
Share-based payment expense	11	-	317,009	-	317,009
Acquisition of business combination	10	472,706	-	-	472,706
		2,269,586	2,041,032	-	4,310,618
Balance at 31 December 2021		31,426,364	3,647,466	(29,152,490)	5,921,340

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



Consolidated statement of cash flows

For the half year ended 31 December 2021

	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities		
Receipts from customers	3,791,167	2,256,052
Payments to suppliers and employees	(4,842,265)	(2,731,472)
Government grants and R&D claims	514,000	500,410
Income taxes paid	(131,304)	-
Interest income	80	7
Interest and other costs of finance paid	(106,891)	(2,263)
Net cash (outflow) from operating activities	(775,213)	22,734
Cash flows from investing activities		
Payments for property, plant and equipment	(9,145)	(5,456)
Payments for software development	(1,083,303)	(33,702)
Payment of contingent consideration for Art of Mentoring	(1,000,000)	(894,650)
Net cash (outflow) from investing activities	(2,092,448)	(933,808)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	1,722,000	2,500,010
Borrowings	5,500,000	-
Capital raising costs	(55,120)	(130,710)
Transaction costs related to loans and borrowings	(150,000)	-
Repayments of lease liabilities	(56,201)	-
Net cash inflow from financing activities	6,960,678	2,369,300
Net increase / (decrease) in cash and cash equivalents	4,093,017	1,458,226
Cash and cash equivalents at the beginning of the financial year	523,477	459,742
Cash and cash equivalents at end of period	4,616,494	1,917,967

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



Notes to the financial statements
31 December 2021 (continued)

Notes to the financial statements

1. Basis of preparation of half-year report

The consolidated interim financial statements of AD1 Holdings Ltd (“AD1” or the “Group”) are for the six (6) months ended 31 December 2021 and are presented in Australian Dollars (\$), which is the functional currency of the Group. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 30 June 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2022.

(a) Going concern

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

During the six months ended 31 December 2021, the Group recorded a consolidated loss of \$2,139,987 (31 December 2020: \$1,617,912) and net cash outflows from operating activities of \$775,213 (31 December 2020: net inflows of \$22,734). The consolidated net loss from ordinary activities excluding share based payments expense and one off transaction costs was \$1,160,898 (31 December 2020: net loss of \$294,658). Cash balance at the end of the end of HY22 was reported at \$4,616,494 (31 December 2020: \$1,917,967).

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

- recent contract wins, existing revenue streams and the revenue pipeline of the Group;
- the recent capital raise of approximately \$2.0 million in October 2021;
- new debt facility of \$5.0 million settled in December 2021 and
- the Group’s ability to consider available non-dilutive funding alternatives should there be a requirement to manage any short-term timing impacts to the cash flows.

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

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

(b) Basis for preparation

These interim financial statements include the assets and liabilities of AD1 Holdings and its controlled entities as a whole as at the end of the period and the consolidated results and cash flows for the period.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entities from the date on which we gain control until the date we cease control.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

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Notes to the financial statements
31 December 2021 (continued)

The interim financial statements of the controlled entities are prepared for the same reporting period as AD1 Holdings, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

2. Segment information

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

3. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	31 December 2021	31 December 2020
	\$	\$
SaaS and Managed Services	2,583,243	1,456,243
IT Development and Consulting	465,826	595,729
	3,049,068	2,051,971
Services at a point in time	897,180	622,621
Services transferred over time	2,151,888	1,429,350
	3,049,068	2,051,971

(b) Information of major customers

The Group had the following major customers with revenues amount to 10 percent or more of the total group revenues:

	31 December 2021	31 December 2020
	\$	\$
Customer A	30%	34%
Customer B	20%	22%
Customer C	*	11%

*Less than 10%

4. Expenses

	31 December 2021	31 December 2020
	\$	\$
<i>Employee benefit expense</i>		
Share-based payment	374,366	1,163,254
Salaries and wages	1,478,133	956,856
Superannuation	244,149	109,810
Other employee related expenses	309,963	153,074
	2,406,611	2,382,995



Notes to the financial statements
31 December 2021 (continued)

5. Loss per share

(a) Basic & diluted loss per share

	31 December 2021 Cents	31 December 2020 Cents
Basic loss per share	(0.34)	(0.28)
Diluted loss per share	(0.34)	(0.28)

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

	31 December 2021 \$	31 December 2020 \$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted loss per share	(2,139,987)	(1,617,912)

(c) Weighted average number of shares used as denominator

	31 December 2021 \$	31 December 2020 \$
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	628,221,982	570,237,752

As the Group is still loss making, options over ordinary shares outstanding at 31 December 2021 and 31 December 2020 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation.

6. Intangible Assets

	31 December 2021 \$	30 June 2021 \$
Software & licences	2,996,277	2,042,699
Customer contracts	467,322	548,588
Goodwill	3,953,191	3,953,191
	<u>7,416,790</u>	<u>6,544,478</u>



Notes to the financial statements
31 December 2021 (continued)

7. Other liabilities

	31 December 2021	30 June 2021
	\$	\$
<i>Other current liabilities</i>		
Contingent consideration – Tranche 2	-	1,290,313
Contingent consideration – Tranche 3	1,417,366	-
<i>Other non-current liabilities</i>		
Contingent consideration – Tranche 3	-	1,241,827

Contingent consideration - Tranche 2 was settled in November 2021. Tranche 3 is payable to Art of Mentoring upon meeting specific performance milestones per the sale agreement.

8. Leases

(a) Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	31 December 2021	31 December 2020
Current	30,734	54,224
Non-current	216,275	-
	<u>247,009</u>	<u>54,224</u>

The Group has leases for the main office and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For the main office lease, the Group must keep the premise in a good state of repair and return the premise in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contract.

Key terms of the main office lease are summarised below:

- Remaining terms: 36 months
- Lease incentive: Rent free period equivalent to \$60,700 plus GST
- Option to extend: No
- Option to purchase: No
- Variable payments linked to an index: No
- Termination option: No



Notes to the financial statements
31 December 2021 (continued)

The lease liability for the main office is secured by a long-term guarantee deposit. Future minimum lease payments at 31 December 2021 were as follows:

	Minimum lease payments due						Total \$
	Within 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$	After 5 years \$	
Lease payments	30,734	100,734	115,541	-	-	-	247,009
Finance charges	22,259	17,008	6,321	-	-	-	45,588
Net present values	52,993	117,742	121,862	-	-	-	292,597

(b) Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for leases of low value assets. Payments made under such leases are expensed on a straight-line basis, which amounted to \$1,440 in the current financial year.

As at 31 December 2021, the Group was not committed to any other short-term leases, variable leases payments that were not recognised as a lease liability, or to any leases which had not yet commenced.

(c) Additional disclosures

- Expense incurred in relation to low value asset was \$1,440.
- Total cash outflow for leases for the half year ended 31 December 2021 was \$97,112.68 for the office lease and \$1,584 for the low value asset.
- The Group has not entered into any operating lease arrangements as lessor.

9. Borrowings

	31 December 2021 \$	30 June 2021 \$
<i>Current liabilities</i>		
Loans from related parties	500,000	
<i>Non - Current liabilities</i>		
Convertible notes	3,333,333	-

Loan from related parties

The loans were provided to the Company by Director related entities at a fixed interest rate of 10% of the loan value over the term of the loan. This was fully repaid in January 2022.

Convertible Notes

The Company with Pure Asset Management entered into a 4-year secured loan facility agreement for \$5 million at an interest rate of 9.95% per annum with 83,333,333 detached warrant shares which settled on 24 December 2021.

Conversion by the lender

The lender may elect at any time up to 17 December 2025, to convert all their warrant shares in tranches of 500,000 per conversion, at a rate of 1 share for every warrant share converted. The noteholder is not entitled to any additional payments on account for this conversion.

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Notes to the financial statements
31 December 2021 (continued)

Failure to Redeem

If the noteholder does not convert all of their warrant shares during the exercise period then the balance of the debt facility will be repaid on the repayment date on 24 December 2025.

Movements in convertible notes

	31 December 2021	30 June 2021
	\$	\$
Carrying value as at the beginning of the period	-	-
Issue of convertible notes – face value	5,000,000	-
Fair value of equity component – conversion right	(1,666,667)	-
Carrying value as at the end of the period	3,333,333	-

10. Share capital

(a) Ordinary shares

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Shares	Shares	\$	\$
Ordinary shares – full paid	670,189,348	604,456,397	31,426,364	29,156,878
	670,189,348	604,456,397	31,426,364	29,156,878

(b) Movements in ordinary share capital

	Number of shares	\$
<i>31 December 2021</i>		
Opening balance	604,456,397	29,156,778
Issue of new ordinary shares	57,875,000	1,852,000
Art of Mentoring Tranche 2 Completion Payment	7,857,951	472,706
Capital raising costs	-	(55,120)
Closing balance	670,189,348	31,426,364
<i>31 December 2020</i>		
Opening balance	548,058,530	26,368,683
Issue of new ordinary shares	48,076,923	2,500,000
Less: capital raising costs	-	(212,463)
Acquisition of Art of Mentoring	8,320,944	500,558
Closing balance	604,456,397	29,156,778



Notes to the financial statements
31 December 2021 (continued)

(c) Details of movements in ordinary shares

Date	Details	Number of shares	Issue price \$	Amount \$
<i>31 December 2021</i>				
25-Oct-21	Issue of new ordinary shares under placement	57,875,000	0.032	1,852,000
25-Oct-21	Capital raising costs	-	-	(55,120)
1-Nov-21	Issue of shares to the Art of Mentoring as part of Tranche 2 Completion Payment	7,857,951	0.060	472,706
		65,732,951		2,269,586
<i>31 December 2020</i>				
19-Oct-20	Issue of new ordinary shares under Placement	48,076,923	0.052	2,500,000
19-Oct-20	Capital raising costs	-	-	(122,463)
26-Oct-20	Issue of shares to the vendor as part consideration for acquisition (Art of Mentoring)	8,320,944	0.052	500,558
27-Nov-20	Capital raising costs – underwriters option	-	-	(90,000)
		56,397,867		2,788,095

Ordinary shares participate in dividends and the proceeds on winding up the Group in proportion to the number of shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

11. Reserve

(a) Options reserve

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Options	Options	\$	\$
Options over ordinary shares	337,466,575	245,347,811	3,647,466	1,284,706
	337,466,575	245,347,811	3,647,466	1,284,706

The reserve is used to recognise:

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

(b) Movements in options reserve

	Number of options	\$
<i>31 December 2021</i>		
Opening balance	245,297,811	1,606,434
Issue of new options over ordinary shares	109,802,087	1,765,908
Share based payments expense	-	317,009
Options forfeited/expired	(17,633,323)	(41,885)
Closing balance	337,466,575	3,647,466

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Notes to the financial statements
31 December 2021 (continued)

31 December 2020

Opening balance	18,183,323	53,703
Issue of new options over ordinary shares	227,914,488	1,244,627
Share based payments expense	-	8,628
Options forfeited/expired	(750,000)	(22,251)
Closing balance	245,347,811	1,284,706

(c) Details of movements in options reserve

Date	Details	Number of options	Amount \$
31 December 2021			
26-Oct-20	Options granted - ESOP	1,000,000	11,401
7-May-21	Options granted - Supplier	11,000,000	87,841
7-Jul-21	Options forfeit	(5,300,000)	(31,592)
10-Sep-21	Options forfeit	(1,000,000)	(10,293)
4-Oct-21	Options lapsed	(8,555,547)	-
28-Oct-21	Options granted - Capital Raise	14,468,754	-
16-Dec-21	Options granted - Debt Facility	20,833,333	416,667
21-Dec-21	Options lapsed	(2,777,776)	-
24-Dec-21	Options granted - Debt Facility	62,500,000	1,250,000
31-Dec-21	Share-based payment expense for options granted in prior period	-	317,009
		92,168,764	2,041,032

31 December 2020

23-Jul-20	Options granted - ESOP	2,000,000	9,691
28-Sep-20	Options lapsed	(750,000)	(22,250)
27-Nov-20	Options granted	195,000,000	1,130,632
27-Nov-20	Options granted - ESOP	25,000,000	14,304
27-Nov-20	Options granted - Underwriters options	5,914,488	90,000
31-Dec-21	Share-based payment expense for options granted in prior period	-	8,627
		227,164,488	1,231,004

12. Share based payments

The Company's Employee and Executive Incentive Plan ("EEIP") is designed to provide long-term incentives for eligible employees to deliver long-term shareholder returns. Under the EEIP, participants are granted options over ordinary shares. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

(a) Options granted during the period

	31 December 2021 Number of options	31 December 2021 Average exercise price \$	31 December 2020 Number of options	31 December 2020 Average exercise price \$
Opening balance	245,297,811	0.20	18,183,323	0.09
Granted during the period	109,802,087	0.06	227,914,488	0.20
Exercised during the period	-	-	-	-
Forfeited/expired during the period	(17,633,323)	0.07	(750,000)	0.33
Closing balance	337,466,575	0.16	245,347,811	0.20

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**Notes to the financial statements
31 December 2021 (continued)**

(b) Fair value of options granted

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

Grant date	Expiry date	Exercise price \$	No. of options granted	Share price at grant date \$	Dividend Yield	Risk-free Interest Rate	Fair value at grant date \$
26-Oct-2020	26-Oct-2024	0.100	333,333	0.042	Nil	0.76%	8,667
26-Oct-2020	26-Oct-2025	0.150	333,333	0.042	Nil	0.76%	9,000
26-Oct-2020	26-Oct-2026	0.200	333,334	0.042	Nil	0.76%	9,333
7-May-2021	10-Jun-2027	0.100	11,000,000	0.039	Nil	0.70%	283,268
16-Dec-2021	17-Dec-2025	0.060	20,833,333	0.033	Nil	1.32%	416,667
24-Dec-2021	17-Dec-2025	0.060	62,500,000	0.032	Nil	1.32%	1,250,000

(c) Expenses arising from share-based payment transactions

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

	31 December 2021 \$	31 December 2020 \$
Expense from options granted in current period	1,765,908	1,154,627
Expense from options granted in prior period	317,009	8,627
Reversal of expense from options forfeited in current period	(41,885)	-
	2,041,032	1,163,254

13. Investment in controlled entities

The Group's principal subsidiaries at 31 December 2021 is set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/country of incorporation	Ownership held by the group		Ownership interest held by non-controlling interests	
		2021 %	2020 %	2021 %	2020 %
<i>Ultimate parent entity</i>					
AD1 Holdings Limited	Australia				
<i>Controlled entities</i>					
Utility Software Services Pty Ltd	Australia	100	100	-	-
Art of Mentoring Holdings Pty Ltd	Australia	100	100	-	-
Art of Mentoring Pty Ltd	Australia	100	100	-	-



Notes to the financial statements
31 December 2021 (continued)

14. Related Party Transactions

The Group has the following transactions with Blue NRG, of which Michael Norster is a director. Additional services were received from Capital Heights, of which Nicholas Smedley is a director.

	31 December 2021	31 December 2020
	\$	\$
Revenue from contract with customer	810,112	697,006
Payment for electricity supplied	2,380	1,865
Payment for M&A and corporate advisory services	56,625	91,500
Directors' Loans	500,000	-
	1,369,117	1,163,254

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

15. Contingencies

The Group had no contingent liabilities at 31 December 2021 (31 December 2020: nil).

16. Events occurring after the reporting period

No additional matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or in subsequent financial periods.

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Directors' declaration

31 December 2021

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

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

Mr Brendan Kavenagh
Managing Director & CEO

Melbourne
28 February 2022

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AD1 Holdings Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of AD1 Holdings Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the Company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 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*. ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF
Melbourne, 28 February 2022



Kenneth Weldin
Partner

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