COSOL Ltd
Annual Report 2021

Unlock Asset Potential Through Digital Solutions

COSOL

Contents

COSOL LTD FY21 FINANCIAL HIGHLIGHTS

(PROFORMA)

Group Revenue
51%
up YoY

Group EBIT
41%
up YoY

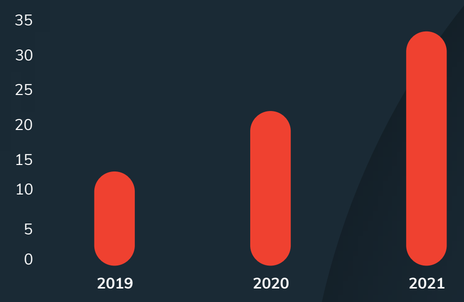
Group NPBT
37%
up YoY

Group NPAT
39%
up YoY

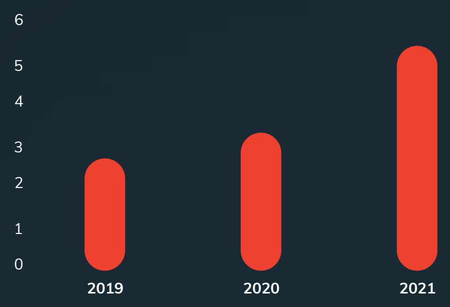
EPS
46%
up YoY

Financial Highlights and references to financial metrics are presented on a normalised pro-forma basis which includes the full year results of COSOL Australia Pty Ltd which was acquired in January 2020.

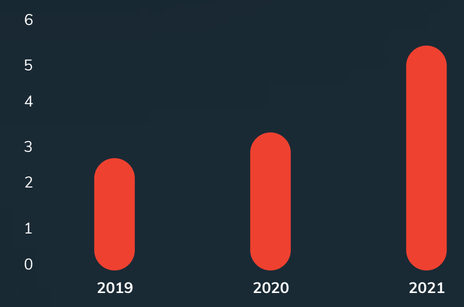
Group Revenue ($M)



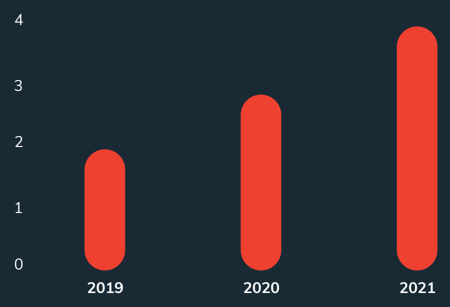
Group EBIT ($M)



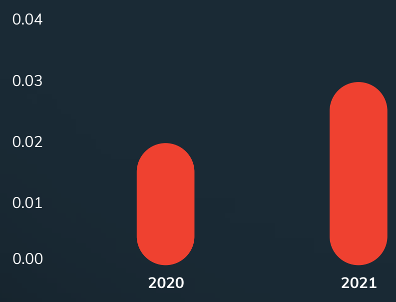
Group NPBT ($M)

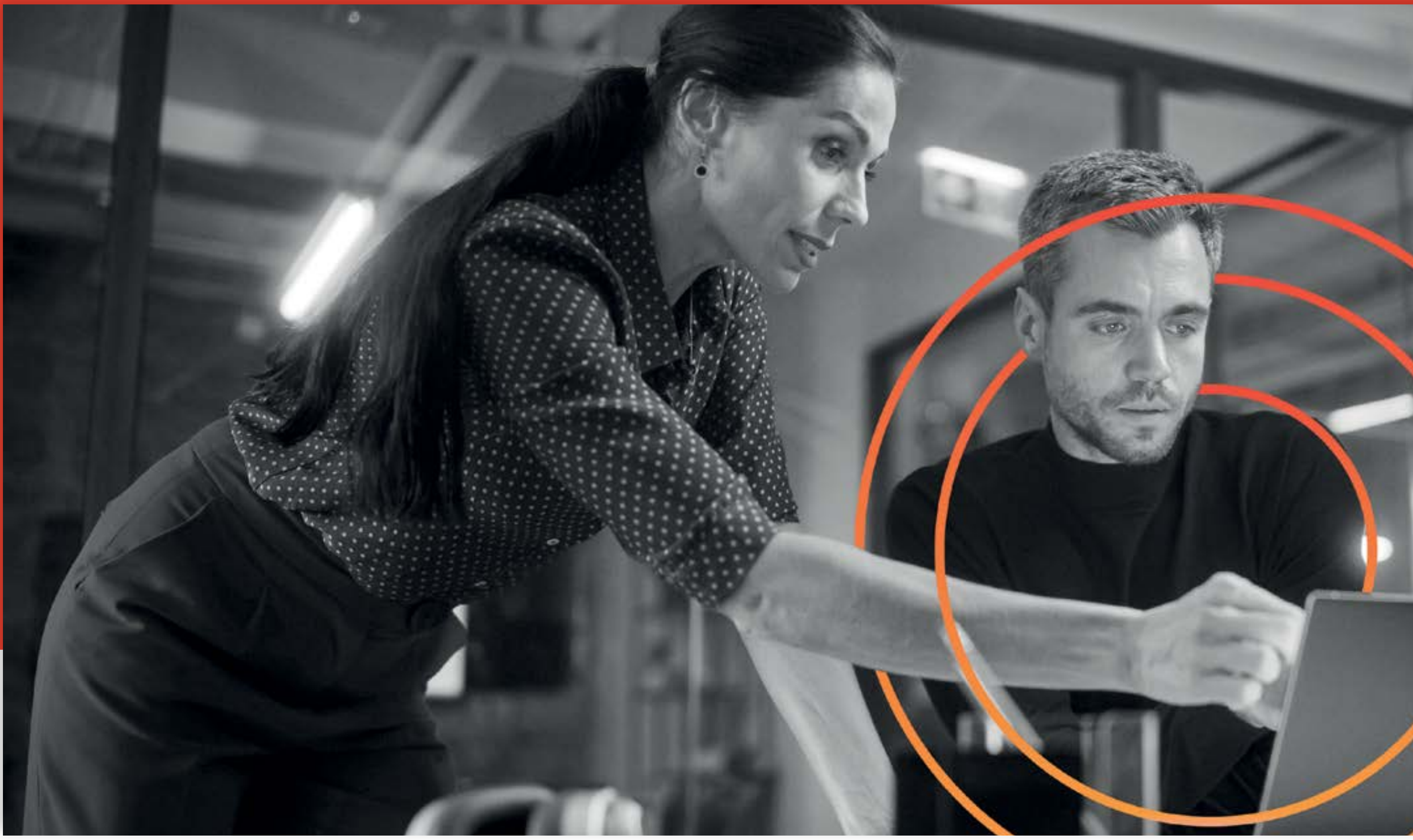


Group NPAT ($M)



EPS (Cents)





CHAIRMAN'S REPORT

Introduction

On behalf of the Board of COSOL Limited I am pleased to present to our Shareholders the 2021 Annual Report.

Financial Year 2021 presented many challenges for the business world and society in general. The continuing interruptions posed by the COVID pandemic continued to put significant stress on all industry sectors and has presented many issues for the global and domestic economies to grapple with. Through all these challenges COSOL Limited and its operating businesses, COSOL Australia Pty Ltd. (COSOL Asia Pacific), and the acquired business of AddOns Inc. (COSOL North America), demonstrated our team's ability to adapt to the new operating environment and deliver on our promise to our existing clients, attract new clients and continue to deliver on our strategic growth objectives.

As a result of this adaptability, we continue to build on the momentum from our first year as a public company in 2020 and to carve out a leadership position globally as a provider of digital solutions to heavy asset industries with unique capabilities and products that serve critical and essential industries such as Mining, Utilities, Energy, Public Infrastructure and Defence. It also demonstrated the resilience of our business model in particular the strength of our long term agreements and the important work we do in the critical infrastructure sector.

> “Our people are at the very heart of everything we do and their dedication, professionalism and ability to be trusted advisors to our clients is a true differentiator”

Our ongoing promise to our clients is to “unlock the potential of their assets” by delivering meaningful and quantifiable business improvements. As a company we pride ourselves on having “real world” industry experience that allows us to work with our clients in a way that truly understands their business goals and then providing digital solutions to deliver.

Our people are at the very heart of everything we do and their dedication, professionalism and ability to be trusted advisors to our clients is a true differentiator and through their efforts we were able to deliver a very positive outcome for FY21.

Operating Highlights for the last 12 months

COSOL Asia Pacific continues to deliver strong organic growth: Revenue +21%, EBIT +25%

The team at COSOL Asia Pacific, through the leadership of CEO Scott McGowan, delivered an excellent result with organic revenue growth of 21% and an organic EBIT growth of 25%. This result was a combination of strong recurring revenues, new major contract wins, continued prudent cost management and in particular the ability to achieve greater penetration with new and existing clients with COSOL proprietary digital solutions.

The result would have been even stronger had now contracted agreements with several key clients not have been delayed due some of the challenges raised above. Pleasingly, these delays will be realised in FY22.

Acquisition of AddOns Inc. delivered $6.8 million in revenue, $1.1 million in EBIT (nine months only)

We successfully acquired and integrated the COSOL North America business (AddOns Inc.) which has further strengthened our market leadership position with Hitachi ABB products.

CHAIRMAN'S REPORT CONTINUED

The acquisition is in line with our stated objective of becoming the dominant global provider of services for the Hitachi – Ellipse enterprise asset management software platform as AddOns Inc. is the pre-eminent provider of managed services to Ellipse users in North America.

The acquisition allows COSOL to exploit the North American market leading proprietary digital solution Evergreen, which ensures clients are consistently upgraded to the latest COSOL certified version of their Ellipse EAM platform. Evergreen will strengthen our existing strong portfolio of proprietary digital solutions.

The combination of the two businesses now provides a global platform for managed services, data management and data analytics and the deployment of our proprietary digital solutions such as RPConnect®, Evergreen and Copernicus on a multi-territory basis. As a result of the integration of the two businesses we have been able to optimise the COSOL delivery model which will result in higher yields through bench optimisation and 24 x 7 support capability and will deliver strong revenue synergies through FY22 and beyond.

Partnership with Hitachi-ABB Power Grids (HAPG) expanded: Positive revenue opportunities in FY22.

Further consolidating our partnership with Hitachi-ABB Power Grids (HAPG) and strengthening COSOL's position as the largest provider of Ellipse professional and managed services globally, COSOL Limited signed a strategic partnership agreement that provides 'first right of refusal' for Ellipse professional service engagements in the APAC region including HAPG's new generation EAM business suite – Lumada.

As a result of this agreement, COSOL has been engaged to deliver the first Hitachi Lumada project in the APAC region which importantly positions COSOL to take 'first mover' advantage for Hitachi's new Lumada suite of products.

In addition, the agreement establishes Hitachi as an additional sales channel for COSOL's proprietary Digital Solutions and Services resulting in a lower cost of sale for new geographies and providing access to a strong pipeline of potential new Clients.

In partnership with HAPG, COSOL jointly secured a significant contract with the Department of Defence to ensure the on-going resilience and reliability of the mission critical Ellipse EAM system in supporting Defence's immediate and medium-term operational requirements. As a key partner of HAPG, COSOL upgraded a number of peripheral applications/ system components enabling Defence to maintain currency, supportability and interoperability across their platforms.

Major Client wins

The year has seen COSOL secure several major new agreements with key Clients such as Australian Department of Defence, Urban Utilities, TransGrid, Anglo American and Ioneer.

- **Australian Department of Defence**: In addition to the Ellipse project with Department of Defence, and through our partnership with IBM, COSOL is providing all data migration services to the largest SAP S4 data migration project in Australia. COSOL expanded on its existing engagement through successfully delivering phase 1 of the project and demonstrating the value through its proprietary digital solution RPConnect®.
- **Urban Utilities**: COSOL was awarded a contract with Urban Utilities to provide application and system support services. Urban Utilities is the largest drinking water and wastewater service provider to residential and business customers in south-east Queensland. The project flowed from the initial project that saw COSOL contribute to the enterprise asset management digital transformation project. As part of that project RPConnect® enabled the rapid and cost-efficient data migration to the next generation of enterprise software.
- **TransGrid**: COSOL was awarded a multi-year contract with TransGrid (TransGrid operates and manages the high voltage electricity transmission network in NSW and the ACT) as part of its digital transformation program that will see it replace its existing ERP platform (Hitachi Ellipse) and move to Oracle Financials and Field Service as well as Maximo EAM. This was a sole sourced contract after a demonstration of our data migration expertise. Central to the project win was COSOL's proprietary data management solution, RPConnect®, which is utilising the RPConnect® – Data Vault Engine to store historical Ellipse data.

- **Anglo Nickel**: Anglo Nickel, a division of Anglo-American Group COSOL Asia Pacific awarded COSOL a new contract to provide data migration services as both divisions move from Ellipse and SAP ECC6 to SAP S/4 Hana. The awarding of this contract has been a sole sourced engagement based on the success of COSOL's work on previous data migration projects with Anglo American Group. The work will also utilise COSOL's proprietary digital solution, RPConnect®, and its Legacy Data View solution.
- **Ioneer**: COSOL's wholly owned subsidiary AddOns Inc, based in Denver Colorado, was awarded a new contract with Australian owned mining company Ioneer (ASX:INR). The contract is the first of a potential three phased agreement to support the initial growth of Ioneer as it establishes its Rhyolite Ridge Lithium-Boron Project in Nevada, USA. The project will see COSOL become the partner of choice to work on the implementation of the Hitachi Ellipse Finance module. The utilisation of COSOL's proprietary digital solution, Copernicus, a will allow rapid deployment of the enhanced service.

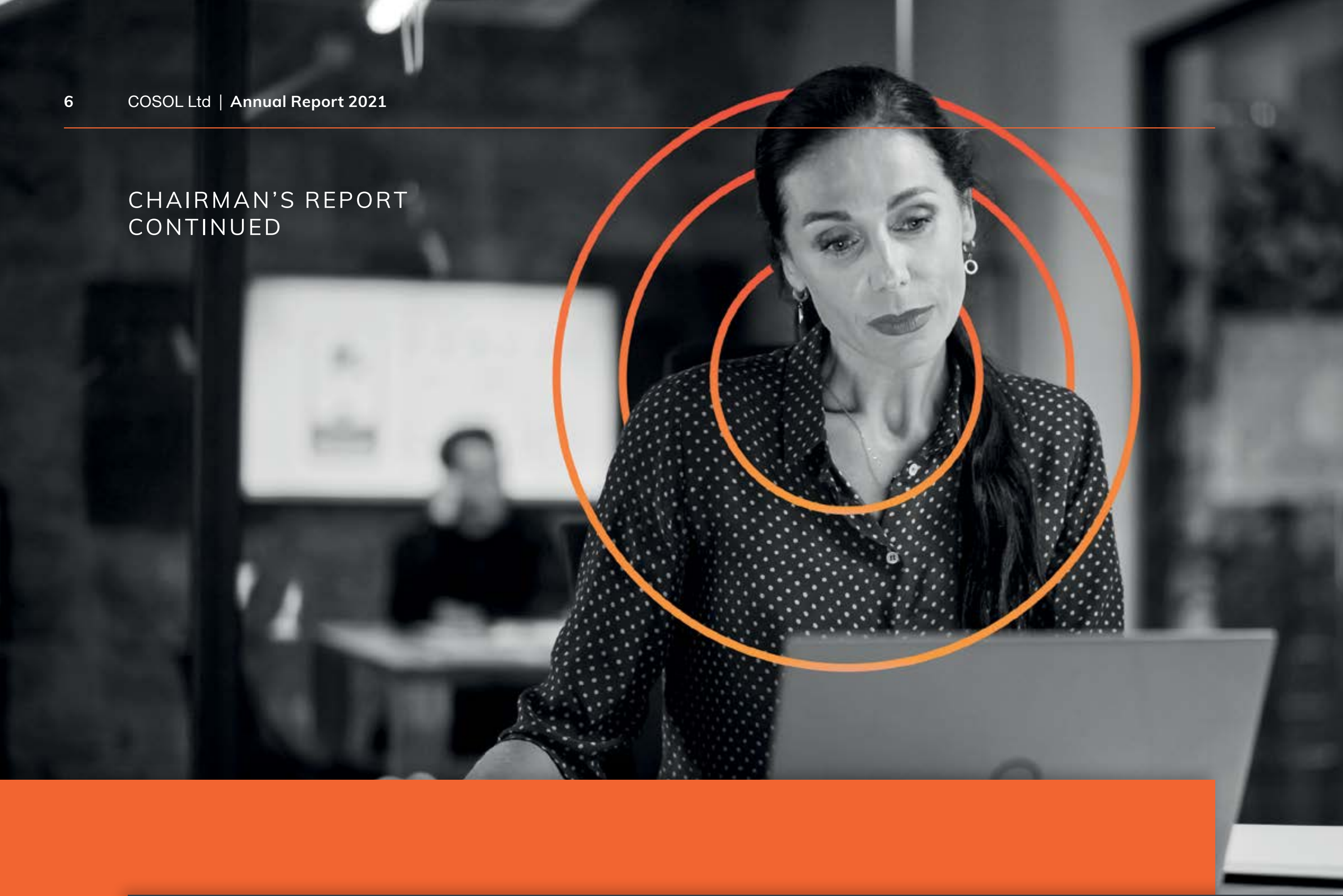
SAP capability growth delivered win with CleanCo

In addition to successfully delivering a complex migration of clean energy assets from Stanwell and CS Energy to the newly established CleanCo, COSOL has been able to demonstrate the RPConnect® product's ability to provide an efficient and low risk solution to accelerate the migration of data from SAP legacy products to their S4 solution. This has significantly increased the market potential for RPConnect® and is a focus for growth in the near-term future.

Proprietary Digital Solutions continue to fuel growth opportunities

The growth of RPConnect® as a key tool for complex data management and migration projects along with continued roll out of Evergreen, Copernicus and other proprietary solutions now known as Add Ons will be at the forefront of our growth agenda. This suite of unique products and applications will continue to provide sole source tender opportunities, ensure our client intimacy remains strong, continue to produce higher yields from projects and position COSOL as a true leader in the digital transformation journey.

CHAIRMAN'S REPORT CONTINUED



Financial Highlights

Revenue Growth

Group Revenue of $33.6 million increased by $21.9 million or 188% compared to the prior year's revenue. Revenue from North America, resulting from the AddOns Inc. acquisition, added $6.8 million and was consolidated from 1 September 2020. Asia Pacific organic revenue grew by 21% when compared to the prior full year on a proforma basis.

Earnings Before Interest and Tax (EBIT)

Earnings before interest and tax (EBIT) of $5.5 million increased by $3.5 million or 175% when compared to the prior year. EBIT from North American operations amounted to $1.1 million and was consolidated from 1 September 2020. Asia Pacific organic EBIT grew by 25% when compared to the prior year on a proforma basis and after adjustment for once off cost[1].

Net Profit after Tax

The Group reported net profit after tax of $4 million for the year ended 30 June 2021. Net profit after tax grew by 165% when compared to last year's result.

Cash Flows

The group recorded net post tax operating cash flow of $1.86 million for the year ended 30 June 2021. Group cash was $4.18 million at 30 June 2021. Investing cash flows included $3.7 million in deferred consideration to the vendors of COSOL Australia Pty Ltd and $1.6 million for the acquisition of AddOns Inc. Financing cash flows included a net borrowing of $2.25 million and payment of lease liabilities of $0.5 million and the dividend of $0.65 million.

Debt Position

Net debt, including deferred consideration was $2.3 million at 30 June 2021.

Dividend

The Directors declared a 0.5 cent interim dividend to all ordinary shareholders for the financial half year to 31 December 2020, which was paid on 15 April 2021. The Directors have declared a final 1.0 cent dividend payable to all ordinary shareholders for the current financial full year. The dividend will be fully franked.

Earnings Per Share (EPS)

The basic earnings per share grew strongly by 46% to 3.06 cents per share from 2.09 cents per share in the prior year.

1 Comprises normalised COSOL Asia Pacific EBIT after adjustment for $166k in Due Diligence expense and $304k in Share Based payment expense.

The Year Ahead

COSOL continues to see significant organic growth potential in FY22 and are excited about the year ahead.

Our Strategic Growth plan sets out several key initiatives that will continue to produce positive results and deliver on COSOL's ambition to be a true global player in the digital transformation market.

Our key focus and strategic growth initiatives include:

Growth of North America:

We will leverage and expand our presence in North America following the acquisition of AddOns Inc. and the integration under the COSOL brand has been completed. North America is the biggest global market for digital transformation projects and our focus will be on expanding our footprint within existing clients, driving new revenue opportunities through RPConnect® to existing and new clients and deploying our SAP capability throughout North America.

Consolidate and leverage our HAPG Ellipse market leadership position

Through our new and expanded partnership with HAPG our focus will be providing our professional services capabilities to existing Ellipse users and using these new relationships to provide additional proprietary products and services into a new client channel.

Drive RPConnect® licence sales and other proprietary digital solutions

Our RPConnect® data management suite (RPConnect® Data Quality Assessment, RPConnect® Legacy Data Viewer and RPConnect® ECC2S4 Hanna) will continue to position us well in the tender process and in many cases provides sole sourcing positioning, drives higher margins and create subscription revenue. In addition, our Evergreen and Copernicus solutions will continue to provide new access points to new and existing clients.

Expand our Digital products and service offerings through strategic acquisition

We are actively targeting a number of strategic opportunities to supplement organic growth which will build upon our EAM pedigree, exploit our position on data and build out a portfolio of digital solutions including advanced analytics, robotic process automation and decision support through simulation and optimisation. Additionally, we will review opportunities that provide us access to new territories and adjacent and relevant industries.

Expand our growth within our existing Major Client Base

We pride ourselves on our client relationships and we continue to see growth from expanding our relationships beyond initial engagements and converting them into longer term and more expansive opportunities

Finally I want to thank our incredible staff, who have dealt with challenges all over the globe, for the dedication, professionalism and resilience and thank our clients, shareholders and partners for their ongoing support and loyalty.

I look forward to being able to provide further updates during the year and at the Annual General Meeting in November.

Best regards,

Geoff Lewis
Chairman

BUSINESS OVERVIEW

COSOL is a global provider of digital solutions with more than 20 years' experience partnering with asset-intensive organisations to drive quantifiable business improvements through the enhanced use of digital solutions and data analytics.

COSOL are experts at unlocking asset potential. Whether it be the opportunities in existing asset management systems, underutilised and undervalued data or the digital representation of physical assets, COSOL thrives on complex digital and data asset management challenges.

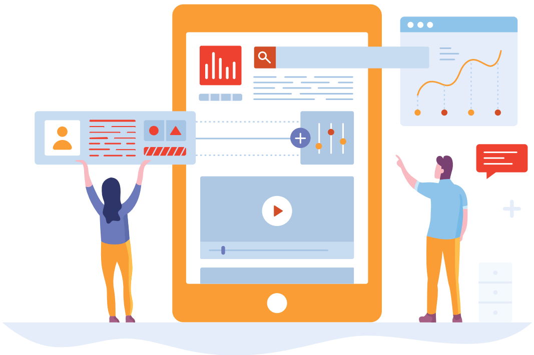
COSOL works globally supporting more than 150 clients in 20 countries. In 2020, COSOL was listed on the Australian Stock Exchange and acquired North American company, AddOns Inc.

COSOL is a global provider of digital solutions with more than 20 years' experience.

The pace of digital transformation is leaving many organisations acutely underprepared to minimise risk and manage asset opportunities within their operations. For asset-intensive organisations in the mining, utilities, public infrastructure and defence industries, these issues are mission critical.

With a flexible approach, COSOL supports asset-intensive organisations with everything from an initial quality assessment working within existing systems, to mapping strategic business goals to a fully integrated digital roadmap.

Our proprietary digital solutions include:

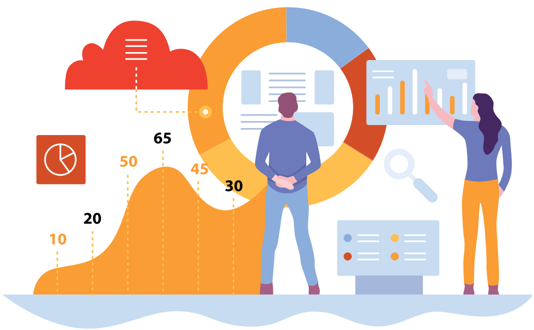


COSOL RPConnect®

A data management platform providing a flexible solution for measuring data quality, migrating data from disparate systems, and vaulting legacy data for safekeeping.

COSOL Evergreen

A proven solution providing a cost effective and minimally disruptive continual upgrade service that ensures Ellipse enterprise systems are always current.



COSOL Copernicus

A preconfigured, integrated EAM/Enterprise Resource Planning (ERP) system for mining organisations, enabling rapid deployment and reduced capital expenditure.

COSOL AddOns

A suite of bulk data management business productivity tools designed to improve processes, accuracy, and audibility of enterprise data.

MAJOR CLIENT OVERVIEW

Partners

HITACHI ABB

SAP Partner

IBM

IFS

North America

Mining

ARCH RESOURCES

ArcelorMittal

CLIFFS

centerra GOLD

ioneer

Utilities

Navajo Transitional Energy Company

Public Infrastructure

AC TRANSIT

NFTA

Asia Pacific

Mining

AngloAmerican

GLENCORE

OK TEDI MINING

Utilities

Energy Queensland

TransGrid

cleanco queensland

UrbanUtilities

Public Infrastructure

MTS Metro Trains Sydney

Queensland Government

Defence

Australian Government Department of Defence

CLIENT SHOWCASE

Dept of Defence

Ellipse

COSOL trusted as the sole provider to ensure the ongoing resilience and reliability of their EAM platform as well as to deliver the End-to-End Data Migration for Australia's largest SAP S4 transformation project.

COSOL, jointly with Hitachi ABB Power Grids, secured a significant contract with the Department of Defence to ensure the on-going resilience and reliability of the mission critical Ellipse EAM system in supporting Defence's immediate and medium-term operational requirements. COOSL upgraded a number of peripheral applications/system components enabling Defence to maintain currency, supportability and interoperability across their platforms.

In addition to ensuring the on-going support of their EAM platform, COSOL secured a multi-year agreement with Defence through our partnership with IBM, to provide all data migration services to the largest SAP S4 transformation program in Australia. COSOL expanded on its existing engagement through successfully delivering phase 1 of the project and demonstrating the value through its proprietary digital solution RPConnect®.

COSOL's proven expertise in professional data migration and proven proprietary platform, RPConnect®, will be utilised for its ability to integrate data from multiple systems.

CleanCo

SAP S4/Hana

COSOL's RPConnect® delivers award winning SAP to S4 Transformation for newly established Clean Energy Provider CleanCo.

CleanCo Queensland (CleanCo), newly formed in 2019, is a Queensland government-owned low-emissions energy generator and retailer partnering exclusively with large commercial and industrial (C&I) energy customers in Queensland.

As part of the formation of CleanCo, assets were acquired from Stanwell Corporation and CS Energy. As with many divestitures, systems were provided to CleanCo under transitional service agreements until new processes and systems could be established for CleanCo to manage these assets and deliver their services.

COSOL was engaged by CleanCo to deliver a complex data migration which required the extraction of individual generation assets from existing operators, Stanwell and CS Energy, into the new CleanCo SAP S/4HANA platform.

> "We trusted COSOL to get this unusually complex project delivered, and have been consistently pleased throughout to see you continue to deliver every step of the way. I am certain that CleanCo's journey to migrate our data from Stanwell and CS Energy would have been more stressful without COSOL."
>
> General Manager –
> Performance, Risk & Finance

OK Tedi

Managed Services

COSOL partners with Ok Tedi Mining Limited to develop and manage processes to manage COVID-19 testing and tracking, management of sensitive personnel data and enablement of remote working.

Ok Tedi Mining Limited (OTML) is a State-owned company operating an open-pit copper, gold and silver mine in the Star Mountains, Western Province, Papua New Guinea (PNG). In addition to the mine and mill, OTML operates the township of Tabubil, a power station, and a range of other assets.

COSOL and OTML have a long partnership having worked together since 2001. COSOL has provided a broad range of business improvement advisory services during this period including managed services, an EAM – Environment, Health, Safety and Management (EHSM) project, and advisory services supporting the OTML Operational Transformation project.

Completely new challenges emerged in 2020 and COSOL was able to rapidly pivot to focus on supporting the COVID-19 response. The COSOL team worked seamlessly and quickly with OTML to develop and manage entirely new processes such as COVID-19 testing and tracking, management of sensitive personnel data and enablement of remote working.

At OTML, COSOL combines extensive technical capabilities with unique insight and experience to respond to the cultural and logistical challenges when providing support to this remote mining location.

Ioneer

Copernicus

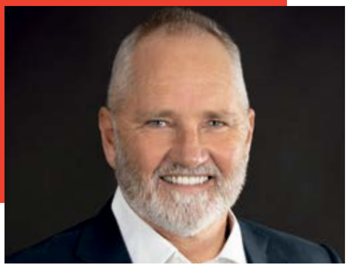
COSOL-acquired proprietary digital solution, Copernicus, selected to support the growth of pioneering lithium miner Ioneer.

Ioneer Ltd was founded in 2001 and is headquartered in Sydney, Australia. The name Ioneer reflects the organisation's aim to be pioneers in producing materials for a sustainable future. The company is developing a Nevada, USA mine site to be a future producer of lithium-boron.

The COSOL Copernicus solution has been specifically designed to support greenfield mining organisations out of the box and delivers incremental capability as the organisation matures through the different phases from pre-feasibility to operation ensuring that expenditure on enterprise systems is aligned with the realisation of the operating cash flows.

Utilising COSOL's proven proprietary digital solution, Copernicus, has provided Ioneer with a rapid deployment model based on best practices and enhanced services for their Hitachi Ellipse Enterprise Asset Management (EAM) and Ellipse Analytics for business intelligence and reporting.

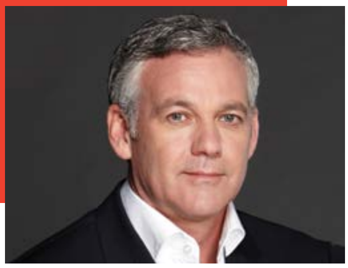
BOARD OF DIRECTORS



Geoffrey Lewis

Chairman

Geoff Lewis has over 20 years' experience in the global delivery of IT services and outsourcing. He established ASG Group Limited (formerly ASX listed, ASX: ASZ), an IT business solutions provider, in 1996 and was its Managing Director until it was acquired in late 2016 for $350 million by Japanese multinational IT services and consulting business Nomura Research Institute, Ltd. Geoff was appointed as a director on 10 September 2019.



Ben Buckley

Managing Director

Ben Buckley was appointed as Managing Director of COSOL Limited in October of 2020 after joining COSOL Limited as an external consultant to work on corporate strategy and mergers and acquisitions. He has previously held senior leadership roles, including as chief executive officer and chief operating officer with major domestic and international firms. Over three decades he has worked for Nike, Foxtel, Electronic Arts, AFL and FFA, as well as BKD Executive Leaders, an executive search and recruitment firm. He has also held Director roles and is currently Chairman of the North Melbourne Football Club in the Australian Football League (AFL).

Stephen Johnston CA

Non-Executive Director

Stephen Johnston has significant international experience in investment, corporate finance, mergers and acquisitions and commercial management gained over 25 years in Australian industrial and investment organisations. Stephen was the managing director and founder shareholder of Schutz DSL Group, an industrial packaging group with operations in Australia and south east Asia, and was an independent non-executive director of ASG Group Limited (formerly ASX listed, ASX: ASZ), an IT business solutions provider, until it was acquired in late 2016 for $350 million by Japanese multinational IT services and consulting business Nomura Research Institute, Ltd. Stephen was appointed as a director on 10 September 2019.

Grant Pestell LLB

Independent Non-Executive Director

Grant Pestell was a founding director and has been the managing director of Perth-based legal firm Murcia Pestell Hillard since 2000. He has extensive experience advising both listed and private companies, particularly in the ICT, energy and resources and mining services industries. Grant is regularly involved in and advises on complex commercial disputes, strategic contract negotiations, mergers and acquisitions, risk management and large-scale financing. Grant was an independent non-executive director of ASG Group Limited (formerly ASX listed, ASX: ASZ), an IT business solutions provider, until it was acquired in late 2016 for $350 million by Japanese multinational IT services and consulting business Nomura Research Institute, Ltd.
Grant was appointed as a director on 7 August 2019.

Gerald Strautins

Independent Non-Executive Director

Gerald Strautins has extensive executive, mergers and acquisitions, consulting, programme and business management experience, with particular strength in formulating, implementing and managing strategic managed service/outsourcing operations and transformation initiatives. Gerald's strategic business consultancy and corporate management experience was gained through extensive work in Australia, Europe and Asia. He was the Executive – Strategy and M&A of ASG Group Limited (formerly ASX listed, ASX: ASZ), an IT business solutions provider, and was responsible for the strategic direction of the organisation, while also completing in excess of $500 million in mergers and acquisitions transactions. Gerald was appointed as a director on 4 October 2019.

MANAGEMENT TEAM

Scott McGowan

Chief Executive Officer, COSOL Group

Scott is the Chief Executive Officer of the COSOL Group and is a highly experienced executive manager with a demonstrated ability to lead diverse teams of professionals to new levels of success in highly competitive markets.

Scott has over 20 years' experience in both start-ups and global multinational corporations and possesses strong technical and business qualifications with an impressive track record in strategic planning, business unit development, project management, product development and system engineering strategies.

Lisa Wynne

Company Secretary

Lisa Wynne has a Bachelor Business and is a Fellow of the Governance Institute of Australia and a Member of the Institute of Chartered Accountants.

Her experience includes over 15 years of board level experience across the commercial sector with a particular focus on the finance, accounting, corporate services, technology, and resources industries across ASX and TSX listed companies. Her background includes roles as a Non-Executive Director for Dempsey Minerals Limited responsible for strategic governance and operational planning, and as Director and Owner of Blue Horse Corporate and Sila Consulting.

Garry Tuckwell

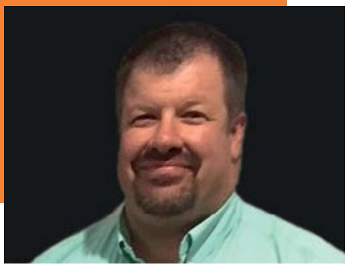
Chief Operating Officer and Head of Asia Pacific

Garry has 30 years of experience in senior roles and brings a wealth of knowledge from a wide variety of service delivery, program management, consulting, strategic planning and senior executive positions that can add value in a variety of ways to many organisational and technological change programs. Garry has been at the intersection of many technology and digital disruptions that businesses have had to navigate their way through.

Andrew McVinish

Chief Financial Officer, COSOL Limited

Andrew has over 20 years' experience in advising businesses on financial management, compliance and strategy having previously held a senior role at Findex, a mid-tier accountancy and wealth management firm. Andrew holds a Bachelor of Business degree and is a member of Chartered Accountants Australia & New Zealand.



Max Rogers

Chief Executive Officer, COSOL North America

Max is the Chief Executive Officer of COSOL North America (COSOL NA) and has a long history of leading companies and teams specialising in serving asset-intensive industries.
Max has almost three decades of experience and, for the last 18 years, served as CEO for AddOns, the most reliable and comprehensive provider of managed IT services focused on the unique challenges facing asset-intensive businesses.
Max holds a bachelor's of science degree in Mechanical Engineering from the University of Wyoming.

DIRECTORS' REPORT

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 year ended 30 June 2021.

Directors

The following persons were directors of COSOL Limited during the whole of the financial 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) (appointed 6 October 2020)

Directors' Interests in Shares and Options of COSOL

The Directors hold relevant interests in the following shares and other securities of COSOL as at the date of this Directors' Report:

Director	Shares	Options
G Lewis	24,250,000	–
S Johnston	24,250,000	–
G Pestell	2,500,000	–
G Strautins	3,000,000	–
B Buckley	–	5,000,000
Total	**54,000,00**	**5,000,000**

Principal activities

During the financial year the principal continuing activities of the consolidated entity were the provision of information technology services.

The consolidated entity utilises proprietary software and services to deliver solutions for clients operating in asset-intensive industries, with a particular focus on resource and capital-intensive enterprise asset management (EAM) and infrastructure-focused systems.

The consolidated entity aims to optimise business processes and reduce business expenditure for its clients by providing digital business solutions, including business process and strategic reviews, implementation of enterprise resource planning (ERP)/EAM solutions, data migration and ongoing support services.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Interim dividend for the year ended 30 June 2021 of 0.5 cents (2020: – cents) per ordinary share	658,859	–

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $3,997,793 (30 June 2020: $1,506,412).

A review of the operations of the consolidated entity during the financial year is set out on pages 3 to 5 of the Annual Report and forms part of this Directors' Report, and should be read in conjunction with the following:

Key highlights include:

Revenue & Earnings Before Interest & Tax (EBIT)

COSOL Asia Pacific delivered a strong result with organic revenue growth of 21% and an organic EBIT growth of 25%. This result was a combination of strong recurring revenues, new major contract wins and continued prudent cost management.

Acquisition of AddOns Inc

In October of 2020, COSOL Limited successfully acquired USA based AddOns Inc. AddOns Inc is a managed services IT, software and professional services business based in Denver, Colorado. The acquisition is in line with our stated objective of becoming the dominant global provider of services for the Hitachi – Ellipse enterprise asset management software platform as AddOns Inc is the pre-eminent provider of managed services to Ellipse customers in North America.

Major client wins

The consolidated entity secured significant client wins to grow revenue through new and expanded work engagements for professional services, digital products and ongoing support services for Australian Department of Defence, Urban Utilities, TransGrid, Anglo American and Ioneer.

Intellectual Property

The consolidated entity continued to develop RPConnect as a key tool for complex data management and migration projects. The acquisition of AddOns Inc also delivered additional proprietary digital solutions such as Evergreen, a proven solution that allows companies to continually upgrade their Ellipse EAM software and Copernicus, a pre-configured, integrated EAM/ERP system for companies enabling rapid deployment and reduced capital expenditure.

DIRECTORS' REPORT

CONTINUED

The COVID-19 pandemic continues to impact the Australian and global economies, however the consolidated entity has not observed any material financial impact during the financial year, or as at the date of this Directors' Report, on its business operations, revenue generated from current projects or its pipeline of future work. The continued good health of the consolidated entity's staff and clients is a priority and the consolidated entity has implemented processes to maintain their health and safety and ensure continued service delivery. These processes have included maintaining social distancing requirements and good hygiene and cleanliness practices, quarantine, travel restrictions and the ability for staff to work from home. At this time the consolidated entity has seen no deterioration in the business development opportunities currently in negotiation and does not expect this to change.

The consolidated entity has not participated in the Commonwealth Government's JobKeeper Payments scheme.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Directors and management of the consolidated entity intend to continue operations as conducted during the financial year and in a manner consistent with the consolidated entity's business model and growth strategy (which includes organic and acquisitive growth).

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Economic, Environment and Social Sustainability Risks

The consolidated entity does not consider that it has any material exposures to environmental and social sustainability risks. COSOL's IPO prospectus disclosed the risks that may have a material impact on its financial performance and the market price for its shares. This disclosure included possible material exposure to a decline in economic conditions and the general economic outlook. The consolidated entity recognises that the COVID-19 pandemic has and may continue to have a negative impact on the Australian and global economies and may have a negative impact on the financial performance of the consolidated entity's clients. To date the consolidated entity has not seen a deterioration in its business development opportunities, nor experienced a negative financial impact from the COVID-19 pandemic. However, in response to the pandemic, the consolidated entity is maintaining discipline in its cash flow management, identifying and deferring non-essential operating and capital expenditure, and ensuring the timely collection of accounts receivable, while also remaining vigilant in monitoring and assessing any developments which may cause clients to reduce the size or extent of their engagement of the consolidated entity. The consolidated entity's client base of resources, infrastructure and defence entities and organisations appears to be continuing to perform with minimal adverse impact from the COVID-19 pandemic, and the consolidated entity will continue to monitor developments.

Company secretary

Lisa Wynne was appointed as Company Secretary on 11 December 2020 following the resignation of Ben Secrett on the same date.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

Director	Full Board Attended	Full Board Held	Nomination & Remuneration Committee Attended	Nomination & Remuneration Committee Held	Risk Committee Attended	Risk Committee Held	Audit Committee Attended	Audit Committee Held
G Lewis	15	15	N/A	–	N/A	–	N/A	–
S Johnston	15	15	1	1	N/A	–	3	3
G Strautins	15	15	1	1	1	1	N/A	–
G Pestell	15	15	N/A	–	1	1	3	3
B Buckley	12	12	N/A	–	N/A	–	N/A	–

N/A = not a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The key management personnel of the consolidated entity during the financial year were the Directors of the Company, and the Chief Executive Officer and Chief Financial Officer of COSOL Australia Pty Ltd.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The remuneration policy of the consolidated entity has been designed to align KMP objectives with shareholders' interests and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas regarding the consolidated entity's financial results. The Board believes that the remuneration policy is appropriate and effective in its ability to attract and retain the best KMP to run and manage the consolidated entity, as well as create alignment between the goals and interests of Directors, management and shareholders.

Remuneration levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and management for the consolidated entity. The remuneration structures are designed to attract suitably qualified candidates, fairly and responsibly reward the achievement of strategic and financial performance objectives, and incentivise the creation of value for shareholders. The remuneration mix for KMP includes fixed compensation, short and long-term incentives (including equity-based compensation) and superannuation contributions, except that non-executive Directors do not receive equity-based compensation.

The Company's Nomination and Remuneration Committee reviews compensation levels on an annual basis which considers the individual performance of KMP and the performance of the consolidated entity. The Nomination and Remuneration Committee may engage external consultants to provide advice on remuneration matters and to assist it in making remuneration decisions. No external remuneration consultant was engaged during the financial year.

The consolidated entity has designed separate and distinct remuneration structures for non-executive Directors and other KMP (including executive Directors).

Non-Executive Directors

The consolidated entity's policy is to remunerate non-executive Directors based on market practices, duties and accountability, with independent external advice sought when required. The fees paid to non-executive Directors is reviewed annually, and the current maximum aggregate amount of fees that can be paid to non-executive Directors is $300,000 per annum which can be increased only with prior shareholder approval. The non-executive Directors do not receive additional fees for serving on committees of the Board, and are not entitled to any termination benefits or retirement (other than superannuation) benefits.

Other KMP (including executive Directors)

The Board's policy for determining the nature and amount of remuneration for other KMP including executive Directors is to reward those personnel based on their position and responsibility, subject to annual reviews. The remuneration structure includes fixed base pay, short-term incentives, long-term incentives (including equity-based compensation), and other remuneration such as superannuation and long service leave.

This structure implements the consolidated entity's practice of directly linking incentive components of the remuneration of KMP and other management personnel to the performance of the consolidated entity through total shareholder return, EBITDA, sustainable business practices and EBIT and return on capital measures, and is designed to ensure continued and sustainable growth in the consolidated entity's business, financial and share price performance.

Remuneration Report Approval

This Remuneration Report for the financial year ended 30 June 2021 will be put to shareholders for approval at COSOL's AGM which will be held during November 2021.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 17 November 2020, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Other	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled		Total
For the year ended 30 June 2021	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:								
G Lewis	65,000	–	–	6,175	–	–	–	71,175
S Johnston	45,000	–	–	4,275	–	–	–	49,275
G Pestell	49,275	–	–	–	–	–	–	49,275
G Strautins	45,000	–	–	4,275	–	–	–	49,275
B Buckley	240,000	–	–	–	–	169,444	–	409,444
KMP:								
S McGowan	228,311	250,000	–	21,689	–	35,118	–	535,118
A McVinish	165,000	–	–	15,675	–	18,634	–	199,309
	837,586	250,000	–	52,089	–	223,196	–	1,362,871

B Buckley was appointed as managing Director on 6 October 2020. A McVinish was appointed as Chief Financial Officer on 1 October 2020.

REMUNERATION REPORT (AUDITED)

CONTINUED

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Other	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	(including annual leave)	Total
For the period 7 August 2019 to 30 June 2020	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:								
G Lewis	28,132	22,831	–	4,842	–	–	–	55,805
S Johnston	19,901	22,831	–	4,060	–	–	–	46,792
G Pestell	21,792	25,000	–	–	–	–	–	46,792
G Strautins	19,901	22,831	–	4,060	–	–	–	46,792
B Buckley	–	–	–	–	–	–	–	–
KMP:								
S McGowan	104,642	175,000	–	9,832	–	6,394	–	295,868
M Woodward	32,730	14,610	–	6,586	–	–	38,909	92,835
	227,098	283,103	–	29,380	–	6,394	38,909	584,884

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Scott McGowan
Title:	Chief Executive Officer
Agreement commenced:	16 January 2020
Term of agreement:	Until agreement is validly terminated in accordance with its terms.
Details:	Notice period: either party may terminate the agreement without cause by providing the other party with no less than 6 months' written notice. Mr McGowan may terminate if a material breach of the agreement by COSOL Australia is not remedied within 14 days of receiving notice. COSOL Australia may terminate the agreement with no less than 3 months' written notice where Mr McGowan is absent for more than 3 months in any rolling 12 month period, or immediately with cause in circumstances considered standard for agreements of this nature in Australia, including serious or persistent breaches of the agreement, grave misconduct or wilful neglect in the discharge of his duties under the agreement.

Details:	Salary: $250,000 per annum (inclusive of statutory superannuation). Cash short-term performance-based incentive: up to $250,000 per annum (inclusive of statutory superannuation), payable quarterly on the following terms: • Incentive payment based on delivery of annual target EBIT for COSOL Australia (subject to adjustment by the Board), with quarterly targets calculated as on a quarter of the annual target • Entitled to 80% of the incentive payment if 80% of the target EBIT for the quarter is achieved, and an additional 1% of the incentive for every 1% by which actual EBIT exceeds target EBIT for the quarter • EBIT for COSOL Australia is calculated after all incentives and bonuses for staff have been calculated • If target EBIT is not achieved in a quarter, there is no ability to “catch-up” in subsequent quarters • Payment of any bonus is subject to satisfaction of a number of agreed prerequisite conditions • Incentive payment will be paid for accrued completed quarters should Mr McGowan cease employment with COSOL Australia. Expenses: The consolidated entity will reimburse Mr McGowan for all reasonable expenses incurred by him in the performance of his duties in connection with the consolidated entity. Leave: The agreement otherwise contains leave entitlements, termination and confidentiality provisions and general provisions considered standard for an agreement of this nature.
Name:	Andrew McVinish
Title:	Chief Financial Officer
Agreement commenced:	1 October 2020
Term of agreement:	Until agreement is validly terminated in accordance with its terms.
Details:	Notice period: either party can terminate this agreement by giving 30 days written notice. COSOL can terminate the agreement immediately for a material breach of the agreement. Salary: $220,000 per annum (exclusive of statutory superannuation). Cash short term incentives: up to $40,000 inclusive of superannuation, payable at the end of the month following the signing off of the audited accounts subject to the satisfactory attainment of KPIs for the COSOL Group and COSOL Australia Pty Ltd.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

REMUNERATION REPORT (AUDITED)

CONTINUED

The Company has entered into agreements with its Directors, and agreed the following remuneration:

Director	Annual remuneration inclusive of superannuation
G Lewis	65,000
S Johnston	45,000
G Pestell	45,000
G Strautins	45,000
B Buckley	240,000
	440,000

The Directors each serve until retirement, subject to re-election as required by the Company's constitution and the *Corporations Act 2001*.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date*	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
S McGowan Tranche 1	1,200,000	17 November 2020	31 August 2021 and 1 September 2021	15 October 2021	$0.3625	$20,264
S McGowan Tranche 2	900,000	17 November 2020	31 August 2022 and 1 September 2022	15 October 2022	$0.4150	$28,812
S McGowan Tranche 3	900,000	17 November 2020	31 August 2023 and 1 September 2023	15 October 2023	$0.4150	$25,500
B Buckley Tranche 1	800,000	17 November 2020	31 August 2021 and 1 September 2021	15 October 2021	$0.3625	$13,509
B Buckley Tranche 2	600,000	17 November 2020	31 August 2022 and 1 September 2022	15 October 2022	$0.4150	$19,208
B Buckley Tranche 3	600,000	17 November 2020	31 August 2023 and 1 September 2023	15 October 2023	$0.4150	$17,000
A McVinish Tranche 1	125,000	17 November 2020	31 August 2021 and 1 September 2021	2 September 2022	$0.6100	$13,727
A McVinish	125,000	17 November 2020	31 August 2022 and 1 September 2022	2 September 2023	$0.7000	$14,880
B Buckley Tranche 4	1,500,000	17 November 2020	17 November 2020	29 September 2024	$0.9000	$123,978
B Buckley Tranche 5	1,500,000	17 November 2020	17 November 2020 and 29 September 2024	29 September 2024	$1.0000	$115,662

* Grant date is the date of shareholder approval at the AGM. The cost of the options granted was measured from the date the employees started rendering services in respect of their grant, which was prior to shareholder approval, in accordance with AASB 2 *Share-based Payment*.

REMUNERATION REPORT (AUDITED)

CONTINUED

Options granted carry no dividend or voting rights. The key terms, including performance conditions, of the options granted are detailed below.

Mr McGowan and Mr Buckley:

Performance milestones:

- 20% of each tranche based on total shareholder return indexed against the ASX Small Industrials Index (50% vest if TSR equals the Index, and an additional 4% vest for each 1% by which the TSR exceeds the Index);
- 40% of each tranche based on achieving strategic initiatives as defined by the Board (including non-financial measures) (4% vest for each percentile achieved above the 75th percentile); and
- 40% of each tranche based on achieving budgeted EBIT and ROC for COSOL Australia Pty Ltd (4% vest for each percentile achieved above the 75th percentile).

Clawback:

The Board reserves the right to "claw back" vested options in the event that material errors in satisfaction of performance milestones are discovered.

Mr McVinish:

The option holder must remain employed by COSOL and its related companies. Any options which do not vest will automatically lapse.

Performance milestones:

- 20% of each tranche based on total shareholder return indexed against the ASX Small Industrials Index (50% vest if TSR equals the Index, and an additional 4% vest for each 1% by which the TSR exceeds the Index);
- 40% of each tranche for M&A targets hitting their budget or business case numbers (4% vest for each percentile achieved above the 75th percentile); and
- 40% of each tranche based on COSOL Limited achieving budgeted NPAT and ROC (4% vest for each percentile achieved above the 75th percentile).

Clawback:

The Board reserves the right to "claw back" vested options in the event that material errors in satisfaction of performance milestones are discovered.

The performance milestones applicable to the LTI options granted to KMP during the financial year were chosen because they create an appropriate link between the KMP's remuneration and the performance of the consolidated entity, and deliver on an objective of encouraging continued and sustainable growth in the consolidated entity's business, financial and share price performance.

In respect of TSR, the ASX Small Industrials Index, as an external factor for determining satisfaction of a performance milestone, was chosen as it is an index containing a number of peer companies in the IT sector and companies of a size and financial performance that the consolidated entity is striving to achieve.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
A McVinish Tranche 1	13,727	–	–	–
A McVinish Tranche 2	14,880	–	–	–
B Buckley Tranche 1	123,978	–	–	–
B Buckley Tranche 2	115,662	–	–	–

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of COSOL Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
17 November 2020	15 October 2021	$0.3625	2,000,000
17 November 2020	15 October 2022	$0.4150	1,500,000
17 November 2020	15 October 2023	$0.4150	1,500,000
17 November 2020	2 September 2022	$0.6100	668,750
17 November 2020	2 September 2023	$0.7100	668,750
17 November 2020	29 September 2024	$0.9000	1,500,000
17 November 2020	29 September 2024	$1.0000	1,500,000
			9,337,500

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of COSOL Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

REMUNERATION REPORT (AUDITED)

CONTINUED

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

Auditor

Elderton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Geoff Lewis
Chairman

24 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of COSOL Limited

As auditor for the audit of COSOL Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

24 August 2021

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

FINANCIAL REPORT

Contents

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 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 QLD 4000

A description of the nature of the consolidated entity'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 24 August 2021. The directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated For the year ended 30 June 2021 $	Consolidated For the period 7 August 2019 to 30 June 2020 $
Revenue	4	33,583,739	11,668,928
Other income	5	313,007	547,927
Interest income		2,647	3,699
Expenses			
Cost of Sales		(21,278,508)	(8,133,251)
Depreciation and amortisation expense	6	(628,579)	(94,434)
Salaries & Wages		(3,519,204)	(1,023,170)
Share-based payments		(304,251)	(10,652)
Operating and General Expenses		(2,643,791)	(999,119)
Finance costs		(132,159)	(48)
Profit before income tax expense		5,392,901	1,959,880
Income tax expense	7	(1,395,108)	(453,468)
Profit after income tax expense for the year attributable to the owners of COSOL Limited	29	3,997,793	1,506,412
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of COSOL Limited		3,997,793	1,506,412

		Cents	Cents
Basic earnings per share	40	3.06	2.09
Diluted earnings per share	40	2.87	2.06

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Consolidated 2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	8	4,184,432	6,774,535
Trade and other receivables	9	5,861,576	3,018,851
Inventories	10	139,989	–
Prepayments and other receivables	11	2,664,898	1,129,918
Total current assets		12,850,895	10,923,304
Non-current assets			
Property, plant and equipment	12	241,254	109,671
Right-of-use assets	13	214,531	418,355
Intangibles	14	24,382,638	18,209,183
Deferred tax	15	603,370	364,249
Total non-current assets		25,441,793	19,101,458
Total assets		38,292,688	30,024,762
Liabilities			
Current liabilities			
Trade and other payables	16	1,563,696	1,457,534
Bank loans	17	1,000,000	–
Lease liabilities	18	263,742	101,531
Income tax	19	(69,440)	206,401
Employee benefits	20	675,353	473,736
Provisions	21	3,327,437	3,704,619
Accrued and other liabilities	22	3,015,085	1,490,386
Total current liabilities		9,775,872	7,434,207
Non-current liabilities			
Bank loans	23	1,250,000	–
Lease liabilities	24	18,169	290,124
Deferred Tax	25	276,710	–
Provisions	26	1,795,691	2,795,381
Total non-current liabilities		3,340,570	3,085,505
Total liabilities		13,116,442	10,519,712
Net assets		25,176,246	19,505,050
Equity			
Issued capital	27	20,029,972	17,987,986
Reserves	28	300,928	10,652
Retained profits	29	4,845,346	1,506,412
Total equity		25,176,246	19,505,050

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated	Issued capital $	Share-based payment Reserve $	Foreign exchange Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 7 August 2019	–	–	–	–	–	–
Profit after income tax expense for the year	–	–	–	1,506,412	–	1,506,412
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	1,506,412	–	1,506,412
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 26)	17,987,986	–	–	–	–	17,987,986
Share-based payments (note 40)	–	10,652	–	–	–	10,652
Balance at 30 June 2020	17,987,986	10,652	–	1,506,412	–	19,505,050

Consolidated	Issued capital $	Share-based payment Reserve $	Foreign exchange Reserve $	Retained profits $	Non-controlling interest $	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 year	–	–	–	3,997,793	–	3,997,792
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	3,997,793	–	3,997,793
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 26)	2,093,131	–	–	–	–	2,093,131
Share-based payments (note 40)	–	304,251	–	–	–	304,251
Adjustment to tax on listing fees for equity issue	(51,145)	–	–	–	–	(51,145)
Foreign currency translation	–	–	13,975	–	–	13,975
Dividends paid (note 29)	–	–	–	(658,859)	–	(658,859)
Balance at 30 June 2021	20,029,972	314,903	13,975	4,845,346	–	25,176,246

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
	Note	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		32,612,097	12,860,610
Payments to suppliers and employees (inclusive of GST)		(29,246,394)	(9,390,376)
		3,365,703	3,470,234
Interest received		2,647	3,698
Other revenue		313,007	–
Interest and other finance costs paid		(132,159)	–
Income taxes paid		(1,685,218)	(550,499)
Net cash from operating activities	39	1,863,980	2,923,433
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	36	(1,607,578)	(9,347,793)
Final payments for prior period's business acquisition	36	(3,704,619)	–
Payments for property, plant and equipment	12	(86,259)	(48,364)
Payments for intangibles	*14*	(118,500)	–
Proceeds from disposal of property, plant and equipment		26,508	–
Net cash used in investing activities		(5,490,448	(9,396,157)
Cash flows from financing activities			
Proceeds from issue of shares	27	–	13,327,245
Proceeds from borrowings		3,000,000	–
Repayment of bank loans		(750,000)	–
Repayment of lease liabilities		(521,508)	(79,986)
Dividends paid	30	(658,859)	–
Net cash from financing activities		1,069,633	13,247,259
Net increase/(decrease) in cash and cash equivalents		(2,556,835)	6,774,535
Cash and cash equivalents at the beginning of the financial year		6,774,535	–
Effects of exchange rate changes on cash and cash equivalents		(33,268)	–
Cash and cash equivalents at the end of the financial year	8	4,184,432	6,774,535

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of COSOL Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. COSOL Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 1. Significant accounting policies continued

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is COSOL Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific revenue recognition criteria must also be met before revenue is recognised:

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 1. Significant accounting policies continued

2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where any one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

Revenue is recognised in the statement of profit or loss and other comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur and the revenue and costs, if applicable, can be measured reliably.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognised in the profit or loss when significant risk and reward of ownership have been transferred to the customer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and amount of revenue can be measured reliably.

The Group assessed its revenue streams and the following measurement methods have been identified and adopted in the preparation of these financial statements:

Revenue streams	Measurement methods
Sale of licenses	Revenue for licenses sold is recognised at a point in time
Set-up and support activities	Revenue is recognised for arrangements involving software including implementation support over time until the implementation services are completed
Maintenance services	Revenue is recognised throughout the period of the maintenance contract, i.e. over time
Consulting services	Revenue is recognised over the time spent on the provision of the consulting services

Note 1. Significant accounting policies continued

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

COSOL Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

Note 1. Significant accounting policies continued

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1. Significant accounting policies continued

Property, plant and equipment

Land and buildings are shown at cost, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis, as appropriate to the type of asset, to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is de recognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 consolidated entity 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 consolidated entity 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 1. Significant accounting policies continued

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Website

Significant costs associated with the development of the revenue generating aspects of the website, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 1. Significant accounting policies continued

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 consolidated entity'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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 1. Significant accounting policies continued

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Monte Carlo or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly

Note 1. Significant accounting policies continued

transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

Note 1. Significant accounting policies continued

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of COSOL Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 2. Critical accounting judgements, estimates and assumptions continued

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions continued

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 *Business Combinations*. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: COSOL Asia Pacific and COSOL North America. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

The information reported to the CODM is on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

Note 3. Operating segments continued

Intersegment transactions

Intersegment transactions were made at market rates. These transactions consist of consultancy services. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2021 approximately 42% (Period ended 30 June 2020: 67%) of the consolidated entity's external revenue was derived from sales to two major customers (Period ended 30 June 2020: three major customers) in the COSOL Asia Pacific segment.

Operating segment information

Consolidated – For the year ended 30 June 2021	COSOL Asia Pacific $	COSOL North America $	Total $
Revenue			
Sales to external customers	26,824,198	6,759,541	33,583,739
Intersegment sales	33,867	103,878	137,745
Total sales revenue	26,858,065	6,863,419	33,721,484
Other revenue	2,449	198	2,647
Total segment revenue	26,860,514	6,863,617	33,724,131
Intersegment eliminations			(137,745)
Total revenue			33,586,386
EBITDA	4,741,298	1,409,694	6,150,992
Depreciation and amortisation	(272,098)	(356,481)	(628,579)
Interest revenue	2,449	198	2,647
Finance costs	(109,530)	(22,629)	(132,159)
Profit before income tax expense	4,362,119	1,030,782	5,392,901
Income tax expense			(1,395,108)
Profit after income tax expense			3,997,793
Assets			
Segment assets	36,359,635	2,727,588	39,087,223
Intersegment eliminations			(794,535)
Total assets			38,292,688
Liabilities			
Segment liabilities	12,000,929	1,133,028	13,133,957
Intersegment eliminations			(17,515)
Total liabilities			13,116,442

Note 4. Revenue

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Rendering of services	30,795,892	11,352,696
Product sales	2,787,847	316,232
Revenue	33,583,739	11,668,928

Disaggregation of revenue

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

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Geographical regions		
Asia Pacific	26,112,479	11,339,685
North America	6,761,780	–
Europe, Middle East & Africa	303,400	322,220
Rest of world	406,080	7,023
	33,583,739	11,668,928

Note 5. Other income

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Government grants	279,237	227,746
Reimbursement of expenses	33,770	320,181
Other income	313,007	547,927

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 6. Depreciation and amortisation expense

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Depreciation on property, plant and equipment	186,520	13,982
Amortisation of right-of-use assets	435,476	80,452
Amortisation of website costs	6,583	–
	628,579	94,434

Note 7. Income tax expense

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Income tax expense		
Current tax	1,322,853	507,926
Deferred tax – origination and reversal of temporary differences	99	(54,458)
Under/(Over) Provision for Prior Year – current tax	61,056	–
Under/(Over) Provision for Prior Year – deferred tax	11,100	–
Aggregate income tax expense	1,395,108	453,468
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,392,901	1,959,880
Tax at the statutory tax rate of 26% (2020: 27.5%)	1,402,154	538,967
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of due diligence costs	41,768	–
Entertainment expenses	16,936	3,377
Legal expenses	7,479	837
Share-based payments	79,105	2,929
Other expenditure relating to ACA	–	9,485
Other assessable income	–	482
Non assessable income	(161,594)	(62,424)
Deductible equity raising costs	(37,994)	(40,185)
	1,347,854	453,468
Under/(Over) Provision for Prior Year – current tax	61,056	–
Foreign taxes paid	14,353	–
Under/(Over) Provision for Prior Year – deferred tax	11,100	–
Difference in overseas tax rates	(51,539)	–
Reduction in company tax rates recognised through P&L	12,284	–
Income tax expense	1,395,108	453,468

Note 7. Income tax expense continued

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 15)	51,145	(160,741)

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	2021 $	2020 $
Cash at bank	4,184,432	6,774,535

Note 9. Current assets – trade and other receivables

	Consolidated	
	2021 $	2020 $
Trade receivables	6,019,331	3,018,851
Less: Allowance for expected credit losses	(157,755)	–
	5,861,576	3,018,851

Allowance for expected credit losses

The consolidated entity has recognised a loss of $157,755 (Period ended 30 June 2020: $-) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2021 %	2020 %	2021 $	2020 $	2021 $	2020 $
Not overdue	0.50%	–	4,327,871	2,877,537	2,173	–
0 to 1 month overdue	0.50%	–	949,599	65,534	475	–
1-2 months overdue	2.00%	–	102,618	53,907	2,052	–
2-3 months overdue	10.00%	–	460,981	–	46,098	–
Over 3 months overdue	60.00%	–	178,262	21,873	106,957	–
			6,019,331	3,018,851	157,755	–

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 9. Current assets – trade and other receivables continued

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021 $	2020 $
Opening balance	–	–
Additional provisions recognised	157,755	–
Closing balance	157,755	–

Note 10. Current assets – inventories

	Consolidated	
	2021 $	2020 $
Stock on hand – at cost	139,989	–

Note 11. Current assets – Prepayments and other receivables

	Consolidated	
	2021 $	2020 $
Accrued revenue	2,031,066	1,002,563
Prepayments	252,477	49,028
Other current assets	381,355	78,327
	2,664,898	1,129,918

Note 12. Non-current assets – property, plant and equipment

	Consolidated	
	2021 $	2020 $
Leasehold improvements – at cost	23,944	16,510
Less: Accumulated depreciation	(8,890)	(4,175)
	15,054	12,335
Fixtures and fittings – at cost	19,088	19,438
Less: Accumulated depreciation	(5,622)	(3,796)
	13,466	15,642
Computer equipment – at cost	211,061	97,633
Less: Accumulated depreciation	(89,625)	(45,304)
	121,436	52,329
Office equipment – at cost	221,816	29,203
Less: Accumulated depreciation	(132,815)	(720)
	89,001	28,483
Low value asset pool – at cost	2,379	2,379
Less: Accumulated depreciation	(1,820)	(1,497)
	559	882
Computer software – at cost	2,716	–
Less: Accumulated depreciation	(978)	–
	1,738	–
	241,254	109,671

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 12. Non-current assets – property, plant and equipment continued

Reconciliations

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

Consolidated	Buildings and improve-ments $	Comp-uters $	Furniture and fixtures $	Low value asset pool $	Office equip-ment $	Computer software $	Total $
Balance at 7 August 2019	–	–	–	–	–	–	–
Additions	10,158	7,787	1,706	–	28,713	–	48,364
Additions through business combinations (note 36)	3,565	55,693	14,863	1,073	95	–	75,289
Depreciation expense	(1,388)	(11,151)	(927)	(192)	(324)	–	(13,982)
Balance at 30 June 2020	12,335	52,329	15,642	881	28,484	–	109,671
Additions	–	76,329	–	–	9,930	–	86,259
Additions through business combinations (note 36)	7,600	37,882	29,701	–	186,756	2,776	264,715
Disposals	–	–	(26,508)	–	–	–	(26,508)
Exchange differences	(173)	(856)	(752)	1	(4,519)	(64)	(6,363)
Depreciation expense	(4,708)	(44,248)	(4,617)	(323)	(131,650)	(974)	(186,520)
Balance at 30 June 2021	15,054	121,436	13,466	559	89,001	1,738	241,254

Note 13. Non-current assets – right-of-use assets

	Consolidated	
	2021 $	2020 $
Land and buildings – right-of-use	617,679	579,260
Less: Accumulated depreciation	(403,148)	(160,905)
	214,531	418,355

Note 13. Non-current assets – right-of-use assets continued

Reconciliations

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

Consolidated	Total $
Balance at 7 August 2019	–
Additions	579,259
Depreciation expense	(160,904)
Balance at 30 June 2020	418,355
Additions	71,179
Additions through business combinations (note 35)	751,028
Disposals	(571,723)
Exchange differences	(18,832)
Depreciation expense	(435,476)
Balance at 30 June 2021	214,531

Note 14. Non-current assets – intangibles

	Consolidated	
	2021 $	2020 $
Goodwill – at cost	24,270,721	18,209,183
Website – at cost	118,500	–
Less: Accumulated amortisation	(6,583)	–
	111,917	–
	24,382,638	18,209,183

The Group performed the annual impairment test in June 2021. The Group considers the relationship between its equity market capitalisation and the net assets shown on the balance sheet, among other factors, when reviewing for indicators of impairment. No indicators of impairment are noted. In considering the carrying value of goodwill, the Directors have adopted a value-in-use methodology to determine the recoverable amounts of each CGU which confirms that no impairment charge is necessary.

The recoverable amounts of each CGU have been determined based on value-in-use calculation that uses the cash flow budgets over a one year period, followed by an extrapolation of expected cash flows for the CGUs over a four year period using the growth rates determined by management and the assumptions outlined below. The present value of the expected cash flow and a terminal value for each segment is determined by applying a suitable discount rate.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

- Management's key assumption is that stable economic conditions prevail for the foreseeable future. Cash flow projections reflect stable profit margin previously achieved and that no material deterioration in the cash margin is anticipated. In making this assessment the possible impacts of COVID-19 have been taken into account. The sensitivity analysis undertaken considers each key assumption in isolation and does not take into account any remedial action that may be taken if, for example, margins were to deteriorate.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 14. Non-current assets – intangibles continued

The calculation of each CGU is most sensitive to the following assumptions:

- **Gross profit margins** – are based upon the FY22 budgets and margins achieved in the current year. Gross profit margins are the most sensitive margin to the value-in-use calculation.
- **Cost price inflation** – has been based upon publicly available information.
- **Growth rate estimates** – it has been acknowledged that technological change, macro-economic factors and action of competitors can impact on growth rate assumptions. Growth rates for revenue and costs have been assumed post year 4 at 3%. If terminal growth was to reduce to zero, in real terms, then it is estimated that a goodwill impairment charge is unlikely.
- **Discount rates** – represent the current market risks, taking into consideration the time value of money and specific risks not incorporated in the cash flow forecasts. The discount rate is based upon the weighted average cost of capital (WACC). WACC is assessed taking into account the expected return on investment by investors, the cost of debt servicing plus beta factors for industry risk. The Directors have adopted a WACC of 14% which is applied to the forecast pre-tax cash flows after capital expenditure of each CGU.

Reconciliations

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

Consolidated	Total $
Balance at 7 August 2019	–
Additions through business combinations (note 36)	18,209,183
Balance at 30 June 2020	18,209,183
Additions	118,500
Additions through business combinations (note 36)	6,061,538
Amortisation Expense	(6,583)
Balance at 30 June 2021	24,382,638

Note 15. Non-current assets – deferred tax

	Consolidated	
	2021 $	2020 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	3,512	(7,343)
Employee benefits	251,670	199,029
Other provisions	40,484	–
Accrued expenses	30,535	(212)
Blackhole expenses	10,670	12,034
Borrowing costs	7,440	–
Other deferred tax assets	95,618	–
Tax losses	53,844	–
	493,774	203,508
Amounts recognised in equity:		
Transaction costs on share issue	109,596	160,741
Deferred tax asset	603,370	364,249
Movements:		
Opening balance	364,249	–
Credited to profit or loss (note 7)	290,266	203,508
Credited/(charged) to equity (note 7)	(51,145)	160,741
Closing balance	603,370	364,249

Note 16. Current liabilities – trade and other payables

	Consolidated	
	2021 $	2020 $
Trade payables	1,563,696	1,457,534

Refer to note 31 for further information on financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 17. Current liabilities – bank loans

	Consolidated	
	2021 $	2020 $
Bank loans	1,000,000	–

Refer to note 31 for further information on financial instruments.

Note 18. Current liabilities – lease liabilities

	Consolidated	
	2021 $	2020 $
Lease liability – rent right-of-use	227,116	101,531
Lease liability – equipment	36,626	–
	263,742	101,531

Refer to note 31 for further information on financial instruments.

Note 19. Current liabilities – income tax

	Consolidated	
	2021 $	2020 $
Provision for income tax	(69,440)	206,401

Note 20. Current liabilities – employee benefits

	Consolidated	
	2021 $	2020 $
Annual leave	611,569	380,910
Long service leave	71,502	74,210
Employee benefits	(7,718)	18,616
	675,353	473,736

The employee benefits provision represents fringe benefit tax payable within 12 months.

The annual and long service leave provisions represent entitlements owing to current employees. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 21. Current liabilities – provisions

	Consolidated	
	2021 $	2020 $
Deferred consideration	3,327,437	3,704,619

The provision represents the obligation to pay contingent consideration following the acquisition of COSOL Australia Pty Ltd. This amount has to be paid within seven days after the Group releases its audited financial statements for the year 30 June 2021. The amount of deferred consideration is capped at $6,500,000 less $3,704,619 already paid. The amount has not been discounted to present value since the last payment is due within 12 months.

The company at its sole election can satisfy the deferred consideration by way of an issue of shares rather than a cash payment. If the company elects to issue shares, the shares will be issued at the volume weighted average price per share for the 30 days immediately prior to the date the Group releases its audited financial statements for the year 30 June 2021.

A further $532,056 is forecast to be payable with regard to the acquisition of AddOns Inc in accordance with the terms of the acquisition earn-out. The earn-out is payable 50% in cash, 50% in shares and is due in March 2022, one week after the release of the interim results for the period ended 31 December 2021.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2021	Deferred consideration – current $
Carrying amount at the start of the year	3,704,619
Additions through business combinations (note 36)	532,056
Payments	(3,704,619)
Change from non-current to current	2,795,381
Carrying amount at the end of the year	3,327,437

Note 22. Current liabilities – Accrued and other liabilities

	Consolidated	
	2021 $	2020 $
Accrued expenses	687,383	551,878
GST payable	451,820	327,258
Superannuation payable	340,957	268,620
Payroll tax payable	393,662	137,317
Deferred revenue	799,254	87,367
Other current liabilities	342,009	117,946
	3,015,085	1,490,386

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 23. Non-current liabilities – bank loans

The consolidated entity has secured $6,500,000 in banking facilities from Bankwest. This comprises a term debt facility of $3,000,000, a multi option facility for $3,250,000 and a corporate credit card facility for $250,000. The term of these facilities is three years and they expire on 31 August 2023. They have been provided on an secured basis and are subject to the Group continuing to meet several performance covenants. As at 30 June 2021, the Group was in compliance with all these covenants.

	Consolidated	
	2021 $	2020 $
Bank loans	1,250,000	–

Refer to note 31 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2021 $	2020 $
Bank loans	2,250,000	–

Assets pledged as security

The bank has a fixed and floating charge over the Group's assets.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2021 $	2020 $
Total facilities		
Bank loans – multi option facility	3,250,000	–
Bank loans – term debt facility	2,250,000	–
Corporate credit cards	250,000	–
	5,750,000	–
Used at the reporting date		
Bank loans – multi option facility	–	–
Bank loans – term debt facility	2,250,000	–
Corporate credit cards	–	–
	2,250,000	–
Unused at the reporting date		
Bank loans – multi option facility	3,250,000	–
Bank loans – term debt facility	–	–
Corporate credit cards	250,000	–
	3,500,000	–

Note 24. Non-current liabilities – lease liabilities

	Consolidated	
	2021 $	2020 $
Lease liability – rent right-of-use	–	290,124
Lease liability – equipment	18,169	–
	18,169	290,124

Refer to note 31 for further information on financial instruments.

Note 25. Non-current liabilities – deferred tax

	Consolidated	
	2021 $	2020 $
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	8,615	–
Prepayments	60,315	–
Other deferred tax liabilities	179,801	–
Intangibles	27,979	–
Deferred tax liability	276,710	–
Movements:		
Opening balance	–	–
Charged to profit or loss (note 7)	276,710	–
Closing balance	276,710	–

Note 26. Non-current liabilities – provisions

	Consolidated	
	2021 $	2020 $
Deferred consideration	1,795,691	2,795,381

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability. The earn-out is payable 50% in cash, 50% in shares and is due in March 2023, one week after the release of the interim results for the period ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 27. Equity – issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares – fully paid	131,771,695	127,500,000	20,029,972	17,987,986

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	7 August 2019	–		–
Issue of shares	7 August 2019	1	$0.0500	–
Issue of shares	4 October 2019	10,000,000	$0.0500	500,000
Issue of shares	6 December 2019	34,999,999	$0.0500	1,750,000
Issue of shares	16 January 2020	82,500,000	$0.2000	16,500,000
Share issue transaction costs, net of tax	16 January 2020	–	$0.0000	(762,014)
Balance	30 June 2020	127,500,000		17,987,986
Issue of shares	15 October 2020	4,271,695	$0.4900	2,093,131
Adjustment to tax effect of listing fees		–	$0.0000	(51,145)
Balance	30 June 2021	131,771,695		20,029,972

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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 28. Equity – reserves

	Consolidated	
	2021 $	2020 $
Foreign currency reserve	(13,975)	–
Share-based payments reserve	314,903	10,652
	300,928	10,652

Foreign currency reserve

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

Share-based payments reserve

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

Note 29. Equity – retained profits

	Consolidated	
	2021 $	2020 $
Retained profits at the beginning of the financial year	1,506,412	–
Profit after income tax expense for the year	3,997,793	1,506,412
Dividends paid (note 30)	(658,859)	–
Retained profits at the end of the financial year	4,845,346	1,506,412

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 30. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Interim dividend for the year ended 30 June 2021 of 0.5 cents (2020: – cents) per ordinary share	658,859	–

Franking credits

	Consolidated	
	2021 $	2020 $
Franking credits available at the reporting date based on a tax rate of 26% (2020: 27.5%)	1,626,374	639,320
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 26% (2020: 27.5%)	133,712	217,140
Franking credits available for subsequent financial years based on a tax rate of 26% (2020: 27.5%)	1,760,086	856,460

Note 31. 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 31. 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.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	For the year ended 30 June 2021	For the period 7 August 2019 to 30 June 2020	2021	2020
Australian dollars				
US dollars	0.7545	–	0.7518	–

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2021 $	2020 $	2021 $	2020 $
US dollars	3,434,269	21,873	2,297,926	14,874
New Zealand dollars	–	1,495	–	–
	3,434,269	23,368	2,297,926	14,874

The consolidated entity had net assets denominated in foreign currencies of $1,136,343 (assets of $3,434,269 less liabilities of $2,297,926) as at 30 June 2021 (2020: $8,494 (assets of $23,368 less liabilities of $14,874)). The expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last twelve months of each year and the spot rate at each reporting date, is not considered to be a material risk. The actual foreign exchange gain for the year ended 30 June 2021 was $39,093 (2020: loss of $18).

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 31. Financial instruments continued

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2021 Weighted average interest rate %	2021 Balance $	2020 Weighted average interest rate %	2020 Balance $
Bank loans	2.45%	2,250,000	–	–
Net exposure to cash flow interest rate risk		2,250,000		–

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

For the consolidated entity the bank loans outstanding, totalling $2,250,000 (2020: $-), are principal and interest payment loans. Quarterly cash outlays of approximately $16,000 (2020: $-) per month are required to service the interest payments. The expected volatility of interest rates, as assessed using market data and analysts forecasts, is not considered to be a material risk. In addition, minimum principal repayments of $1,000,000 (2021: $750,000) are due during the 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.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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.

Allowance for expected credit losses

The consolidated entity has recognised a loss of $157,755 (2020: $-) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

Note 31. Financial instruments continued

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.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $	2020 $
Bank loans – multi option facility	3,250,000	–
Corporate credit cards	250,000	–
	3,500,000	–

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	–	1,563,697	–	–	–	1,563,697
Interest-bearing – variable						
Bank loans	2.45%	1,000,000	1,000,000	250,000	–	2,250,000
Interest-bearing – fixed rate						
Lease liability	4.00%	268,377	19,284	–	–	287,661
Total non-derivatives		2,832,074	1,019,284	250,000	–	4,101,358

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 31. Financial instruments continued

Consolidated – 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	–	1,457,534	–	–	–	1,457,534
Interest-bearing – variable						
Lease liability	–	101,531	101,531	188,593	–	391,655
Total non-derivatives		1,559,065	101,531	188,593	–	1,849,189

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

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

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Short-term employee benefits	1,087,586	549,110
Post-employment benefits	52,089	29,380
Share-based payments	223,196	6,394
	1,362,871	584,884

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Elderton Pty Limited, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Audit services –		
Audit or review of the financial statements	37,000	30,000
Other services –		
Independent Accountants Report	–	8,800
Audit of COSOL Australia Pty Ltd's prior year financial statements for the initial public offering	–	44,990
Half year review	12,000	–
Audit of AddOns Inc for the year to 31 December 2020	8,000	–
	20,000	53,790
	57,000	83,790

Note 34. Related party transactions

Parent entity

COSOL Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 34. Parent entity information continued

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Payment for goods and services:		
Payment for services from other related party	154,474	241,874

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021 $	2020 $
Current payables:		
Trade payables to other related party	8,773	3,850

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.

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Profit/(loss) after income tax	817,521	(363,784)
Total comprehensive income	817,521	(363,784)

Note 35. Parent entity information continued

Statement of financial position

	Parent	
	2021 $	2020 $
Total current assets	126,874	3,538,538
Total assets	30,017,558	24,221,137
Total current liabilities	6,173,256	4,346,127
Total liabilities	9,218,947	6,586,283
Net assets	20,798,611	17,634,854
Equity		
Issued capital	20,029,972	17,987,986
Share-based payments reserve	314,903	10,652
Retained profits/(accumulated losses)	453,736	(363,784)
Total equity	20,798,611	17,634,854

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 36. Business combinations

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 $1.6 million, net of cash acquired, 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 $6,061,538 to be recognised in the consolidated financial statements. The acquired business contributed revenues of $6.9 million and profit after tax of $0.8 million to the consolidated entity for the period from 1 September 2020 to 30 June 2021.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	768,979
Trade receivables	863,764
Accrued revenue	74,857
Prepayments	52,480
Other current assets	40,794
Buildings & improvements	7,600
Computers	37,882
Furniture & fixtures	29,701
Office equipment	186,756
Computer software	2,776
Right-of-use assets	751,028
Trade payables	(314,047)
Employee benefits	(188,657)
Accrued expenses	(138,726)
Deferred revenue	(121,430)
Lease liability	(939,647)
Other liabilities	(337,089)
Net assets acquired	777,021
Goodwill	6,061,538
Acquisition-date fair value of the total consideration transferred	6,838,559
Representing:	
Cash paid or payable to vendor	2,376,558
COSOL Limited shares issued to vendor	2,093,131
Contingent consideration	2,368,870
	6,838,559
Acquisition costs expensed to profit or loss	160,648

Note 36. Business combinations continued

	Fair value $
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	768,980
Less: contingent consideration	(2,368,870)
Less: shares issued by company as part of consideration	(2,093,131)
Net cash used	1,607,578

Note 37. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2021 %	2020 %
COSOL Australia Pty Limited	Australia	100.00%	100.00%
AddOns Inc	USA	100.00%	–

Note 38. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Note 39. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Profit after income tax expense for the year	3,997,793	1,506,412
Adjustments for:		
Depreciation and amortisation	628,579	94,434
Share-based payments	304,251	10,652
Foreign currency differences	21,073	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,978,961)	(344,827)
Increase in inventories	(139,989)	–
Increase in deferred tax assets	(290,266)	–
Increase in accrued revenue	(953,646)	–
Increase in prepayments	(150,969)	(93,444)
Increase in other operating assets	(266,158)	–
Increase in trade and other payables	127,056	1,154,762
Decrease in provision for income tax	(275,841)	(97,031)
Increase in deferred tax liabilities	276,710	–
Increase in employee benefits	12,960	–
Increase/(decrease) in other provisions	(41,123)	124,204
Increase in other operating liabilities	592,512	568,271
Net cash from operating activities	1,863,980	2,923,433

Note 40. Earnings per share

	Consolidated	
	For the year ended 30 June 2021 $	For the period 7 August 2019 to 30 June 2020 $
Profit after income tax attributable to the owners of COSOL Limited	3,997,793	1,506,412

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,531,148	72,073,171
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	8,605,230	1,033,435
Weighted average number of ordinary shares used in calculating diluted earnings per share	139,136,378	73,106,606

	Cents	Cents
Basic earnings per share	3.06	2.09
Diluted earnings per share	2.87	2.06

Note 41. 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.

Set out below are summaries of options granted under the plan:

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at the beginning of the financial year	5,000,000	$0.2100	–	$0.0000
Granted	4,525,000	$0.4000	5,000,000	$0.3900
Forfeited	(187,500)	$0.6600	–	$0.0000
Outstanding at the end of the financial year	9,337,500	$0.6100	5,000,000	$0.3900
Exercisable at the end of the financial year	3,000,000	$0.9500	–	$0.0000

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

Note 41. 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	17/11/2020	$0.3625	1,200,000	–	–	–	1,200,000
Tranche 2 Mr McGowan	17/11/2020	$0.4150	900,000	–	–	–	900,000
Tranche 3 Mr McGowan	17/11/2020	$0.4150	900,000	–	–	–	900,000
Tranche 1 Mr Buckley	17/11/2020	$0.3625	800,000	–	–	–	800,000
Tranche 2 Mr Buckley	17/11/2020	$0.4150	600,000	–	–	–	600,000
Tranche 3 Mr Buckley	17/11/2020	$0.4150	600,000	–	–	–	600,000
Tranche 1 Senior Leadership Team	17/11/2020	$0.6100	–	762,500	–	(93,750)	668,750
Tranche 2 Senior Leadership Team	17/11/2020	$0.7000	–	762,500	–	(93,750)	668,750
Tranche 4 Mr Buckley	17/11/2020	$0.9000	–	1,500,000	–	–	1,500,000
Tranche 5 Mr Buckley	17/11/2020	$1.0000	–	1,500,000	–	–	1,500,000
			5,000,000	4,525,000	–	(187,500)	9,337,500

* Grant date is the date of shareholder approval at the AGM. The cost of the options granted was measured from the date the employees started rendering services in respect of their grant, which was prior to shareholder approval, in accordance with AASB 2 *Share-based Payment*.

The weighted average share price during the financial year was $0.70 (2020: $0.35).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.9 years (2020: 2.2 years).

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

Geoff Lewis
Chairman

24 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSOL LIMITED

ELDERTON
AUDIT PTY LTD

Independent Auditor's Report to the members of COSOL Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of COSOL Limited ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

Revenue recognition

Refer to Total Revenue ($33,583,739), Note 4 (Revenue) to the financial report

Key Audit Matter	How our audit addressed the matter
Revenue relating to consulting and other related services is a key audit matter due to significant audit effort and judgement we have applied in assessing the Group's recognition and measurement of revenue. This was driven by the multiple revenue types with different recognition criteria across different products and services, increasing the possibility of the Group inappropriately identifying performance obligations and incorrectly recognising revenue using AASB 15 *Revenue from Contracts with Customers* ('AASB 15').	Our audit work included, but was not restricted to, the following: • We completed a walkthrough test of the Group's revenue system and assessed related controls. • We evaluated design, implementation and effectiveness of controls over revenue process. • We selected a sample of revenue using systematic sampling methods, and vouched each item selected to invoices and other supporting documentation. • We reviewed the major agreements with the customers to understand the key terms and conditions. We clarified elements of our understanding of the contracts through inquiries with the Group management. • We selected a systematic sample of the revenue recognised close to the year-end and vouched each selected item to related invoices and other supporting documents to ensure proper cut-off is applied. • We assessed the adequacy of the Group's revenue disclosures using our understanding obtained during the testing against the requirements of AASB 15.

Business Combination

Refer to Note 36 (Business combinations) to the financial report

Key Audit Matter	How our audit addressed the matter
On 1 September 2020, COSOL limited acquired 100% of the ordinary shares of a USA based entity AddOns Inc. This Business combination is a key audit matter due to the: • Significant audit effort and judgement we have applied in assessing the Group's recognition and measurement of investment in subsidiary and goodwill; and • The degree of estimation involved in measurement of fair values of the net assets of subsidiary as at the date of acquisition, contingent consideration and also due to complex calculations involved as at that date as per AASB 3 *Business Combinations.*	Our audit work included, but was not restricted to, the following: • We have reviewed the share purchase agreement in order to the understand the terms and conditions of the business combination along with the consideration paid or to be paid. • We reviewed the accounting treatment as at acquisition and ensured the investment in subsidiary and related goodwill is correctly calculated and recorded in the books. • We assessed the reasonableness of fair value of net assets as at acquisition date. • We have verified assets and liabilities of subsidiary at the acquisition date and ensured that these are accounted for accurately for calculation of net assets. • We assessed the compliance and adequacy of the disclosure in the financial report as per requirements of AASB 3.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSOL LIMITED

CONTINUED

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Group's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2021. The directors of the COSOL Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of COSOL Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

24 August 2021

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 21 July 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	84	0.04	–	–
1,001 to 5,000	205	0.40	–	–
5,001 to 10,000	77	0.45	–	–
10,001 to 100,000	191	5.18	–	–
100,001 and over	84	93.93	7	100.00
	641	100.00	7	100.00
Holding less than a marketable parcel	–	–	–	–

Each fully paid ordinary share entitles the holder to one vote.

Options do not have any voting rights, and all options on issue were issued under an employee incentive scheme.

There are no shareholders holding less than a marketable parcel of ordinary shares.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Mr Geoffrey James Lewis and Mrs Annemarie Lewis	19,000,000	14.42
Mr Stephen Edward Johnston and Mrs Sarah Johnston	19,000,000	14.42
J P Morgan Nominees Australia Pty Ltd	8,273,695	6.28
Mr Bradley Ronald Skeggs	6,003,000	4.56
Mr Gregory Robert Wood and Mrs Janette Helen Wood	6,003,000	4.56
Mr Geoffrey James Lewis and Mrs Annemarie Lewis	5,250,000	3.98
National Nominees Ltd	4,625,471	3.51
SNJ Business Solutions Pty Ltd	4,500,000	3.41
Mr Stephen Edward Johnston and Mrs Sarah Johnston	4,000,000	3.04
BNP Paribas Noms Pty Ltd	3,515,759	2.67
Mr Gerald Peter Strautins	3,000,000	2.28
Zero Nominees Pty Ltd	2,955,028	2.24
Mr Grant Anthony Pestell	2,500,000	1.90
Waiheke Holdings Pty Ltd	2,036,000	1.55
Mr Bradley Ronald Skeggs and Mr Tom Bradley Skeggs	2,000,000	1.52
Mr Andrew McKenzie and Mrs Catherine McKenzie	1,825,255	1.39
Mr Mark Damian Cooper	1,795,500	1.36
Caspana Pty Ltd	1,586,250	1.20
Citicorp Nominees Pty Ltd	1,354,996	1.03
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,297,308	0.98
	100,521,262	76.30

Unquoted equity securities

There are no unquoted equity securities.

SHAREHOLDER INFORMATION

CONTINUED

Substantial holders

Substantial holders in the company with a relevant interest in fully paid ordinary shares of more than 5% are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Mr Geoffrey James Lewis and Mrs Annemarie Lewis	24,250,000	18.40
Mr Stephen Edward Johnston and Mrs Sarah Johnston	24,250,000	18.40
Bradley Ronald Skeggs	8,975,000	6.81
Microequities Asset Management Pty Ltd	6,942,949	5.27

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

CORPORATE DIRECTORY

Directors

Geoffrey Lewis – Non-Executive Chairman

Stephen Johnston – Non-Executive Director

Grant Pestell – Non-Executive Director

Gerald Strautins – Non-Executive Director

Benjamin Buckley – Managing Director

Company secretary

Lisa Wynne – Company Secretary

Key Management

Scott McGowan – Chief Executive Officer
COSOL Australia Pty Ltd

Andrew McVinish – Chief Financial Officer
COSOL Australia Pty Ltd

Notice of annual general meeting

The annual general meeting of COSOL Limited is to be held on 18 November 2021. Time and place to be announced.

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 QLD 4000

Share register

Link Market Services Limited
QVI Building
Level 12, 250 St George's Terrace
Perth WA 6000

Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditor

Elderton Audit Pty Ltd
Level 2, 267 St George's Terrace
Perth WA 6000

Solicitors

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

Stock exchange listing

COSOL Limited shares are listed on the Australian Securities Exchange (ASX code: COS)

www.asx.com.au

Website

www.cosol.global

Incorporation

Incorporated in Australia as a public company limited by shares

ACN: 635 371 363
ABN: 66 635 371 363

www.colliercreative.com.au #CSO0006

COSOL

www.cosol.global