FOUNDATION TECHNOLOGY HOLDINGS PTY LTD
ACN 132 368 104

Annual Report
For the year ended 30 June 2020

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

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FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Foundation Technology Holdings Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Foundation Technology Holdings Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise indicated:

Shan Shamsher Kanji
Hasan Kanji (resigned 17 November 2019)
Stephen Kowal

Principal activities

The Group represents a federated group of IT services businesses. The Group facilitates organic and collaborative growth through the provision of strategic and operational advice, access to capital and the provision of shared services capabilities. Each company within the Group pursues its own area of expertise ranging from change management, training and integration, through to bespoke software development and project management services.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2019: $nil).

Review of operations

The profit from ordinary activities after income tax amounts to $2,889,636 (2019 loss : $374).

Significant changes in the state of affairs

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the Group has continued its business operations. The situation is unprecedented and management continues to consider the potential implications of COVID-19, which may include disruptions to the supply chain, availability of employees and changes in customer demand. However, as at the date these financial statements were authorised, the Group was not aware of any material adverse effects on the financial statements or future results as a result of COVID-19.

There have been no other significant changes in the state of affairs of the Group during the year.

Significant events after the balance date

On 10 July 2020 Galaxy 42 Group Pty Ltd acquired 100% of the shares in ChartSmart Consulting Pty Ltd which has a presence mainly in the state of Australian Capital Territory for a purchase consideration of $270,000.

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

Likely developments and expected results

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers and indemnities

Insurance of officers

During the financial year, Foundation Technology Holdings Pty Ltd did not pay any premium (2019: $nil) to insure the directors and secretaries of the Company and its Australian-based controlled entities.

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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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

Shan Shamsher Kanji
Director

Sydney, 20 November 2020

Auditor's Independence Declaration

As lead auditor for the audit of Foundation Technology Holdings Pty Ltd for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Foundation Technology Holdings Pty Ltd and the entities it controlled during the period.

K.L.Woombell-Perry

Kerryn Woombell-Perry
Partner
PricewaterhouseCoopers

Sydney
20 November 2020

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The principal place of business of the Group is 2/10 Bond Street, Sydney, NSW, 2000.

These financial statements are consolidated financial statements for the group consisting of Foundation Technology Holdings Pty Ltd and its subsidiaries. A list of subsidiaries is included in note 26.

The consolidated financial statements are presented in Australian dollars ($).

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 3, which is not part of these consolidated financial statements.

The consolidated financial statements were authorised for issue by the directors on 20 November 2020. The directors have the power to amend and reissue the consolidated financial statements.

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	**2020** $	**2019** $
Revenue from contracts with customers	5(a)	77,066,492	64,802,877
Cost of providing services		(57,656,234)	(48,561,966)
Gross profit		**19,410,258**	**16,240,911**
Sales and marketing expenses		(425,632)	(452,034)
Occupancy expenses		(205,682)	(1,213,463)
Depreciation and amortisation		(1,351,530)	(427,917)
General and administrative expenses	6	(14,142,790)	(13,949,433)
Operating profit		**3,284,624**	**198,064**
Finance income	7	62,482	9,859
Finance costs	7	(124,664)	(62,020)
Finance costs - net		**(62,182)**	**(52,161)**
Share of net profit of associates accounted for using equity method		167,255	-
Profit before tax		**3,389,697**	**145,903**
Income tax expense	8	(500,061)	(146,277)
Profit / (loss) for the year		**2,889,636**	**(374)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year		**2,889,636**	**(374)**
Profit / (loss) attributable to:			
Owners of Foundation Technology Holdings Pty Ltd		2,579,543	(154,648)
Non-controlling interests		310,093	154,274
		2,889,636	**(374)**
Total comprehensive income / (deficit) attributable to:			
Owners of Foundation Technology Holdings Pty Ltd		2,579,543	(154,648)
Non-controlling interests		310,093	154,274
		2,889,636	**(374)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	**2020**	**2019**
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	9	8,799,465	4,169,599
Trade and other receivables	10	16,186,989	15,621,808
Contract assets	5(b)	1,526,959	623,344
Other current assets	11	73,741	156,095
Deferred tax assets	15(a)	1,813,023	-
Total Current Assets		**28,400,177**	**20,570,846**
Non-Current Assets			
Receivables	10	107,278	111,635
Investments accounted for using the equity method	26(b)	217,064	49,809
Property, plant and equipment	12	455,453	387,364
Right of use assets	13	4,046,994	-
Intangible assets	14	2,734,435	1,099,033
Deferred tax assets	15(a)	303,363	1,512,208
Total Non-Current Assets		**7,864,587**	**3,160,049**
TOTAL ASSETS		**36,264,764**	**23,730,895**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	14,708,909	10,336,949
Contract liabilities	5(b)	696,952	1,729,118
Borrowings	17	1,981,106	309,029
Current tax liabilities		930,424	94,122
Employee benefit obligations	18	3,767,383	2,792,323
Lease liabilities	19	1,098,286	-
Total Current Liabilities		**23,183,060**	**15,261,541**
Non-Current Liabilities			
Borrowings	17	-	16,112,421
Employee benefit obligations	18	23,695	89,288
Lease liabilities	19	3,057,761	-
Total Non-Current Liabilities		**3,081,456**	**16,201,709**
TOTAL LIABILITIES		**26,264,516**	**31,463,250**
NET ASSETS / (LIABILITIES)		**10,000,248**	**(7,732,355)**
EQUITY			
Contributed equity	20	21,381,649	4
Other reserves	21(a)	(6,084,402)	(964,663)
Accumulated losses	21(b)	(5,915,202)	(7,227,547)
Non-controlling interest		618,203	459,851
TOTAL EQUITY		**10,000,248**	**(7,732,355)**

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

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Attributable to owners of Foundation Technology Holdings Pty Ltd					
	Contributed equity $	Other reserves $	Accumulated losses $	Total $	Non-controlling interests $	Total deficiency in equity $
As at 1 July 2018	**4**	**(964,663)**	**(7,072,899)**	**(8,037,558)**	**297,935**	**(7,739,623)**
(Loss) / profit for the year	-	-	(154,648)	(154,648)	154,274	**(374)**
Total comprehensive income for the year	-	-	(154,648)	(154,648)	154,274	**(374)**
Transactions with non-controlling interests	-	-	-	-	7,642	**7,642**
As at 30 June 2019	**4**	**(964,663)**	**(7,227,547)**	**(8,192,206)**	**459,851**	**(7,732,355)**
Profit for the year	-	-	2,579,543	2,579,543	310,093	**2,889,636**
Total comprehensive income for the year	-	-	2,579,543	2,579,543	310,093	**2,889,636**
Transactions with non-controlling interests	-	(5,119,739)	(763,408)	(5,883,147)	(151,741)	**(6,034,888)**
Disposal of subsidiary	-	-	(503,790)	(503,790)	-	**(503,790)**
Issue of shares	21,381,645	-	-	21,381,645	-	**21,381,645**
As at 30 June 2020	**21,381,649**	**(6,084,402)**	**(5,915,202)**	**9,382,045**	**618,203**	**10,000,248**

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

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		83,577,774	74,545,200
Payments to suppliers and employees (inclusive of GST)		(76,550,781)	(74,654,127)
		7,026,993	**(108,927)**
Interest paid		(124,664)	(62,020)
Interest received		62,482	9,859
Income taxes paid		(267,937)	(1,238,467)
Net cash inflow (outflow) from operating activities		**6,696,874**	**(1,399,555)**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		(1,585,999)	-
Payments for property, plant and equipment		(281,474)	(278,512)
Payments for investments		-	(76,650)
Payments for intangible assets		(2,023)	(124,967)
Proceeds from sale of property, plant and equipment		-	15,072
Net cash (outflow) from investing activities		**(1,869,496)**	**(465,057)**
Cash flows from financing activities			
(Repayment of) / proceeds from borrowings		(13,371,123)	278,795
Proceeds on issue of shares		15,632,267	-
Repayment of loans from related parties		(308,250)	-
Repayment of principal portion of lease liabilities		(871,283)	-
Transactions with non-controlling interests		(1,279,123)	7,642
Net cash (outflow) inflow from financing activities		**(197,512)**	**286,437**
Net change in cash and cash equivalents		4,629,866	(1,578,175)
Cash and cash equivalents at the beginning of the year		4,169,599	5,747,774
Cash and cash equivalents at end of the financial year	9	**8,799,465**	**4,169,599**

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

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1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Foundation Technology Holdings Pty Ltd and its subsidiaries.

(a) Basis of Preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Foundation Technology Holdings Pty Ltd is a for-profit entity for the purpose of preparing the consolidated financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial statements of the Foundation Technology Holdings Pty Ltd Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

These consolidated financial statements have been prepared under the historical cost basis.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2019:
- AASB16 *Leases*
- AASB2018-1 *Amendments to Australia Accounting Standards - Annual Improvements 2015-2017 Cycle*
- AASB2018-2 *Amendments to Australia Accounting Standards - Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group also elected to adopt the following amendments early:
- AASB2018-7 *Amendments to Australia Accounting Standards - Definition of Material*

The Group had to change its accounting policies as a result of adopting AASB16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 2(a). The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see below (iii)), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(h).

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Foundation Technology Holdings Pty Ltd.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Foundation Technology Holdings Pty Ltd's functional and presentation currency.

(d) Revenue recognition

Revenue from providing services is recognised in the accounting period in which the services are rendered. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Revenue is recognised for the major business activities using the methods outlined below.

Time & Material
Where the Group provides services charged on the basis of actual time and materials incurred, the performance obligation is completed as and when the services are rendered, and costs are incurred. Hence revenue recognition is aligned to the costs incurred. Revenue is calculated based on contractual billing rates for the services performed.

Fixed Price
Where Fixed Price contracts are entered into, comprising multiple performance obligations, the services provided are over time and revenue is recognised when milestones are achieved and the respective performance obligation has been completed.

Software licensing
Licences fees are charged in advance for continued maintenance and support of the software. Licence revenue is fully recognised in the month in which the contract to sell the licences is signed. Software Assurance is recognised on a monthly basis for the monthly amount earned for maintenance and support.

Software as a service
Software provided as a service is billed in advance based on a contractual term. Revenue is recognised on a monthly basis for access to the software.

Interest income
Interest revenue is recognised as it accrues, taking into account the interest rates applicable to the financial assets.

(e) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

For the year ended 30 June 2020

The Company as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient . For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

For the year ended 30 June 2019

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(g) Business combinations (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Non-controlling interests in an acquired entity are recognised at fair value or at the non-controlling interest's proportionate share of the acquired entities net identifiable assets. This decision is made on an acquisition by acquisition basis.

(h) Impairment of assets

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets

(i) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Furniture	4 - 6 years
- Office equipment	3 - 5 years
- Software	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An item of equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment exists when the carrying value of an asset or cash- generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

1 Summary of significant accounting policies (continued)

(m) Intangible assets

(i) Goodwill
Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Software
Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Amortisation methods and useful lives
The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 5 years

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days. Payables to related parties are carried at the principal amount.

(o) Government grants

Job Keeper grants of $255,500 are included in the "Other income" line item. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance.

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1 Summary of significant accounting policies (continued)

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(q) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year for the time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

(r) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(s) Contributed equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the consolidated 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 taxation authority, are presented as operating cash flows.

(u) Parent entity financial information

The financial information for the parent entity, Foundation Technology Holdings Pty Ltd, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the separate financial statements of Foundation Technology Holdings Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 Changes in accounting policies

(a) AASB16 Leases

During the current year, the Group adopted AASB 16 Leases, which is effective for annual periods that begin on or after 1 July 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company adopted AASB16 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Details of these new requirements are described in note 1(f).

On adoption of AASB16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB117 *Leases*. These liabilities were remeasured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing relate as at 30 June 2019. The lessee's weighted average incremental borrowing rate applied on 30 June 2019 was 2.2275%.

2 Changes in accounting policies (continued)

(a) AASB16 Leases (continued)

The impact of the adoption of AASB 16 on the Company's financial statements is described below.

	1 July 2019
	$
Right of use assets	3,835,519
Total assets	**3,835,519**
Lease liabilities	(3,835,519)
Total liabilities	**(3,835,519)**
Retained earnings	**-**

Measurement of lease liabilities:

Operating lease commitments disclosed as at 30 June 2019	4,475,917
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,079,323
(Less): short-term leases not recognised as a liability	(243,804)
Lease liability recognised as at 1 July 2019	**3,835,519**
Of which are:	
Current lease liabilities	654,591
Non-current lease liabilities	3,180,928
	3,835,519

Practical expedients

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

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.
- The group has treated COVID-19 related rent concessions as variable lease payments

3 Financial risk management

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognised in profit or loss:

	2020	2019
Amounts recognised in profit or loss		
Net foreign exchange gain included in general and administrative expenses	4,699	4,075
Total net foreign exchange gains recognised in profit before income tax for theperiod	4,699	4,075

3 Financial risk management (continued)
(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk
The Group's exposure to interest rate risk arises predominantly from assets bearing variable interest rates. As income does not make up the main source of revenue, the management expects no significant interest rate risk on these balances.

Amounts payable to related parties, trade and sundry payables and trade and other receivables are not impacted by movements in interest rates.

Management believes that the group's overall exposure to interest rate movements is not material.

4 Critical estimates, judgements and errors

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

(a) Critical estimates, judgements and errors

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Principal versus agent considerations
Management has determined that SME Gateway Pty Ltd and Veritec Pty Ltd (for certain contractual arrangements) are the agent in respect of transactions with its customers. This determination has been based on the fact that SME and Veritec do not bear full responsibility for service quality with the customer and also do not have full latitude in regards to how pricing is determined.

(ii) Critical estimate in determining the lease term and incremental borrowing rate
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there were no impacts arising from revising lease terms to reflect the effect of exercising extension and termination options.

In determining the incremental borrowing rate, management considers, with reference to the market for the provision of third-party finance, the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

(iii) Impairment of goodwill
The group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three year period.

5 Revenue from contracts with customers

	2020 $	2019 $
Time and materials	62,185,004	53,709,381
Fixed price	10,908,094	8,674,637
Software licensing	1,255,303	1,053,095
Software and service	1,062,165	1,044,979
Other income	1,655,926	320,785
	77,066,492	**64,802,877**

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following:

2020	**Time and materials** **$**	**Fixed price** **$**	**Software licensing** **$**	**Software and service** **$**	**Other income** **$**	**Total** **$**
Timing of revenue recognition						
- Over time	62,185,004	10,908,094	1,255,303	1,062,165	1,655,926	**77,066,492**

2019	**Time and materials** **$**	**Fixed price** **$**	**Software licensing** **$**	**Software and service** **$**	**Other income** **$**	**Total** **$**
Timing of revenue recognition						
- Over time	53,709,381	8,674,637	1,053,095	1,044,979	320,785	**64,802,877**

(b) Assets and liabilities related to contracts with customers

	2020 $	2019 $
Contract assets	**1,526,959**	**623,344**
Contract liabilities	**(696,952)**	**(1,729,118)**

6 General and administrative expenses

	2020 $	2019 $
Expenses include:		
Employee benefits expenses	9,814,137	9,712,882
Impairment of goodwill	775,121	-
Impairment of investment in associate	-	670,635

7 Finance income and costs

	2020 $	2019 $
Finance income		
Interest income	62,482	9,859
Finance income	**62,482**	**9,859**
Finance costs		
Interest and finance charges paid / payable	(124,664)	(62,020)
Finance costs expensed	**(124,664)**	**(62,020)**

8 Income tax expense

	2020 $	2019 $
(a) Income tax expense		
Current income tax	1,104,239	823,075
Deferred income tax	(604,178)	(676,798)
Income tax expense	**500,061**	**146,277**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
Profit from continuing operations before income tax expense	3,389,697	145,903
Tax at the Australian tax rate of 30% (2019: 30%)	1,016,910	43,771
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
- Impairment expense	232,537	201,191
- Entertainment expenses	32,934	36,556
- Sundry items	(180,183)	12,765
Subtotal	1,102,198	294,283
Tax losses not recognised as deferred tax assets	176,098	232,489
Previously unrecognised tax losses now recouped to reduce current tax expense	(778,235)	(380,495)
Income tax expense as above	**500,061**	**146,277**

(c) Tax losses

	2020	2019
Unused tax losses for which no deferred tax asset has been recognised	3,547,963	5,397,162
Potential tax benefit @ 30%	**1,064,389**	**1,619,149**

See note 1(e) for information about recognised tax losses.

9 Cash and cash equivalents

	2020 $	2019 $
Cash at bank and in hand	**8,799,465**	**4,169,599**

10 Trade and other receivables

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	$	$	$	$	$	$
Trade receivables	15,898,375	-	15,898,375	15,029,678	-	**15,029,678**
Loans to third parties	-	107,278	107,278	-	111,635	**111,635**
Other receivables	165,533	-	165,533	401,414	-	**401,414**
Prepayments	123,081	-	123,081	190,716	-	**190,716**
	16,186,989	**107,278**	**16,294,267**	**15,621,808**	**111,635**	**15,733,443**

11 Other current assets

	2020	2019
	$	$
Deposits	**73,741**	**156,095**

12 Property, plant and equipment

	Plant and equipment	Furniture, fittings and equipment	Leasehold improvements	Leased plant and equipment	Total
	$	$	$	$	$
At 30 June 2019					
Cost	690,697	347,582	56,120	-	**1,094,399**
Accumulated depreciation	(413,767)	(272,952)	(20,316)	-	**(707,035)**
Net book amount	**276,930**	**74,630**	**35,804**	**-**	**387,364**
Year ended 30 June 2020					
Opening net book value	276,930	74,630	35,804	-	**387,364**
Additions	187,444	51,657	45,005	-	**284,106**
Depreciation charge	(170,947)	(23,956)	(21,114)	-	**(216,017)**
Closing net book amount	**293,427**	**102,331**	**59,695**	**-**	**455,453**
Cost	925,137	399,239	101,125	-	**1,425,501**
Accumulated depreciation	(631,710)	(296,908)	(41,430)	-	**(970,048)**
Net book amount	**293,427**	**102,331**	**59,695**	**-**	**455,453**

13 Right of use assets

	Total
	$
At 30 June 2019	
Cost	-
Accumulated depreciation	-
Net book amount	-
Year ended 30 June 2020	
Opening net book value	-
Adoption of AASB16 - Leases	3,835,519
Additions	1,191,811
Depreciation charge	(980,336)
Closing net book amount	**4,046,994**
Cost	5,027,330
Accumulated depreciation	(980,336)
Net book amount	**4,046,994**

14 Intangible assets

	Goodwill	Software	Total
	$	$	$
At 30 June 2019			
Cost	775,121	1,555,918	**2,331,039**
Accumulated amortisation	-	(1,232,006)	**(1,232,006)**
Net book amount	**775,121**	**323,912**	**1,099,033**
Year ended 30 June 2020			
Opening net book value	775,121	323,912	**1,099,033**
Additions	2,563,677	2,023	**2,565,700**
Impairment	(775,121)	-	**(775,121)**
Amortisation charge	-	(155,177)	**(155,177)**
Closing net book amount	**2,563,677**	**170,758**	**2,734,435**
Cost	2,563,677	1,557,941	**4,121,618**
Accumulated amortisation	-	(1,387,183)	**(1,387,183)**
Net book amount	**2,563,677**	**170,758**	**2,734,435**

15 Deferred tax assets and liabilities

(a) Deferred tax assets

	2020 $	2019 $
The balance comprises temporary differences attributable to:		
Tax losses	370,514	153,992
Employee benefits	1,312,333	1,096,269
	1,682,847	**1,250,261**
Other		
Accrued expenses	727,064	403,694
Lease liabilities	1,246,814	-
Other	170,263	174,000
	2,144,141	**577,694**
Total deferred tax assets	**3,826,988**	**1,827,955**
Set-off of deferred tax liabilities pursuant to set-off provisions (see below (b))	(1,710,602)	(315,747)
Net deferred tax assets	**2,116,386**	**1,512,208**
Net deferred tax assets expected to be recovered within 12 months	1,813,023	-
Net deferred tax assets expected to be recovered after more than 12 months	303,363	1,512,208
	2,116,386	**1,512,208**

Movements	**Tax losses $**	**Employee benefits $**	**Other $**	**Total $**
At 1 July 2018	60,964	938,472	206,601	**1,206,037**
Credited				
- to profit or loss	93,028	157,797	371,093	**621,918**
At 30 June 2019	**153,992**	**1,096,269**	**577,694**	**1,827,955**
Credited				
- to profit or loss	216,522	216,064	415,791	**848,377**
- adjustment on adoption of AASB16	-	-	1,150,656	**1,150,656**
At 30 June 2020	**370,514**	**1,312,333**	**2,144,141**	**3,826,988**

15 Deferred tax assets and liabilities (continued)

(b) Deferred tax liabilities

	2020 $	2019 $
The balance comprises temporary differences attributable to:		
Property, plant and equipment	-	-
	-	-
Other		
Prepayments	36,678	55,449
Right of use assets	1,214,098	-
Accrued income	459,826	260,298
	1,710,602	**315,747**
Total deferred tax liabilities	**1,710,602**	**315,747**
Set-off of deferred tax assets pursuant to set-off provisions	(1,710,602)	(315,747)
Net deferred tax liabilities	-	-

Movements	**Property, plant and equipment** **$**	**Other** **$**	**Total** **$**
At 1 July 2018	31,701	338,926	**370,627**
Credited			
- to profit or loss	(31,701)	(23,179)	**(54,880)**
At 30 June 2019	-	**315,747**	**315,747**
Charged			
- to profit or loss	-	244,199	**244,199**
- adjustment on adoption of AASB16	-	1,150,656	**1,150,656**
At 30 June 2020	-	**1,710,602**	**1,710,602**

16 Trade and other payables

	2020			**2019**		
	Current **$**	**Non-current** **$**	**Total** **$**	**Current** **$**	**Non-current** **$**	**Total** **$**
Trade payables	6,446,459	-	6,446,459	5,191,036	-	5,191,036
Payroll tax and PAYG	1,395,756	-	1,395,756	899,990	-	899,990
Accrued expenses and other payables	5,502,854	-	5,502,854	3,183,048	-	3,183,048
GST payable	1,363,840	-	1,363,840	1,062,875	-	1,062,875
	14,708,909	**-**	**14,708,909**	**10,336,949**	**-**	**10,336,949**

17 Borrowings

	2020 Current $	2020 Non-current $	2020 Total $	2019 Current $	2019 Non-current $	2019 Total $
Unsecured - at amortised cost						
Loans from third parties	1,627,574	-	1,627,574	309,029	15,450,639	15,759,668
Loans from shareholders	353,532	-	353,532	-	661,782	661,782
Total unsecured borrowings	**1,981,106**	**-**	**1,981,106**	**309,029**	**16,112,421**	**16,421,450**

18 Employee benefit obligations

	2020 Current $	2020 Non-current $	2020 Total $	2019 Current $	2019 Non-current $	2019 Total $
Leave obligations	3,767,383	23,695	3,791,078	2,792,323	89,288	2,881,611
	3,767,383	**23,695**	**3,791,078**	**2,792,323**	**89,288**	**2,881,611**

The leave obligations cover the Group's liability for long service leave and annual leave.

19 Lease liabilities

(a) *At amortised cost*

	2020 Current $	2020 Non-current $	2020 Total $	2019 Current $	2019 Non-current $	2019 Total $
Lease liabilities	1,098,286	3,057,761	4,156,047	-	-	-
	1,098,286	**3,057,761**	**4,156,047**	-	-	-

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2020	2019
Depreciation charge of right of use assets - Buildings	13	980,336	-
Interest expense included in finance costs	7	99,107	-

20 Contributed equity

(a) **Share capital**

	2020 # of shares	2019 # of shares	2020 $	2019 $
Number of fully paid ordinary shares	**130,874,536**	**4**	**21,381,649**	**4**

(b) **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

21 Other reserves and accumulated losses

(a) Other reserves

Nature and purpose of other reserves
Transactions with non-controlling interests

This reserve is used to record the differences described in note 1(b) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

The following table shows a breakdown of the consolidated statement of financial position line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Transactions with NCI $
Balance at 1 July 2018	(964,663)
Other movements in other reserves	-
At 30 June 2019	**(964,663)**
Other movements in other reserves	(5,119,739)
At 30 June 2020	**(6,084,402)**

(b) Accumulated losses

	2020 $	2019 $
Movements in accumulated losses were as follows:		
Balance at 1 July	(7,227,547)	(7,072,899)
Net profit for the year	2,579,543	(154,648)
Disposal of subsidiary	(503,790)	-
Transactions with non-controlling interests	(763,408)	-
Balance at 30 June	**(5,915,202)**	**(7,227,547)**

22 Franking credits

	2020 $	2019 $
Franking credits available for subsequent reporting periods based on a tax rate of 30%	**4,701,256**	**4,143,966**

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

23 Contingent liabilities and contingent assets

Contingent liabilities

The Group had contingent liabilities of $69,221 at 30 June 2020 in respect of a bank guarantee (2019: $91,099).

24 Commitments

(a) Lease commitments: Group as a lessee

(i) Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2020 $	2019 $
Within one year	-	1,112,736
Later than one year but not later than five years	-	2,427,978
Later than five years	-	935,203
	-	**4,475,917**

25 Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Country of incorporation	2020	2019
Driftwood IT Pty Ltd	Immediate and ultimate parent entity	Australia	59.4%	100.0%

During the current year, 263 Finance Pty Ltd subscribed for shares in Foundation Technology Holdings Pty Ltd amounting to a 25.2% interest in the issued shares of the Group.

(b) Subsidiaries

Interests in subsidiaries are set out in note 26(a).

During the financial year, members of the Group completed the acquisition of all the issued shares in the following subsidiaries which were not previously wholly-owned by the Group:

- Kobold Group Pty Ltd
- SME Gateway Pty Ltd
- Veritec Pty Ltd

The consideration for the acquisition of these shares was the issue of new shares in Foundation Technology Holdings Pty Ltd.

(c) Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	662,094	539,195
Long-term benefits	9,116	3,347
	671,210	**542,542**

25 Related party transactions (continued)

(d) Transactions with other related parties

	2020 $	2019 $
The following transactions occurred with related parties:		
Sales and purchases of goods and services		
- Sale of services	86,486	84,240
- Purchase of services	53,411	8,262

26 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Principal activities	Ownership interest held by the group	
			2020	2019
Foundation Technology Services Pty Ltd	Australia	IT consulting	100%	100%
Cubic Consulting Pty Ltd	Australia	IT consulting	100%	100%
FTS Resourcing Pty Ltd	Australia	IT consulting	100%	100%
Anatas Pty Ltd	Australia	IT consulting	100%	100%
FTS Nominees Pty Ltd	Australia	Holding company	100%	100%
FTS VHC Pty Ltd	Australia	Holding company	100%	100%
FTS PHC Pty Ltd	Australia	Holding company	100%	100%
SME Gateway Pty Ltd	Australia	Prime contractor organiser	100%	80%
Kobold Group Pty Ltd	Australia	Professional technical services	100%	66%
FTS Data & AI Pty Ltd Australia	Australia	IT consulting	58%	58%
Veritec Performance Holdings Pty Ltd	Australia	Trustee company	0%	100%
Smart Integration Pty Ltd	Australia	Dormant company	0%	100%
SME Gateway Holdings Pty Ltd	Australia	Holding company	0%	100%
Veritec Pty Ltd	Australia	IT consulting	100%	79%
FTSG Pty Ltd	Australia	Shared services	100%	100%
Connexxion Pty Ltd	Australia	IT consulting	100%	100%
Galaxy 42 Pty Ltd	Australia	IT consulting	54%	0%
Galaxy 42 Group Pty Ltd	Australia	Holding company	54%	0%

(b) Interest in associates

Set out below are the associates and joint ventures of the Group as at 30 June 2020. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% ownership interest	Nature of relationship	Measurement method	Carrying amount	
					2020	2019
Protegic Pty Ltd	Australia	24.42%	Associate	Equity method	**217,064**	**49,809**

27 Events occurring after the reporting period

On 10 July 2020 Galaxy 42 Group Pty Ltd acquired 100% of the shares in ChartSmart Consulting Pty Ltd which has a presence mainly in the state of Australian Capital Territory for a purchase consideration of $270,000.

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

28 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2020 $	2019 $
Balance sheet		
Current assets	-	-
Non-current assets	16,620,994	1,208
Total assets	16,620,994	1,208
Non-current liabilities	1,206	1,206
Total liabilities	1,206	1,206
Shareholders' equity		
Issued capital	21,381,649	4
Accumulated losses	(4,761,861)	(2)
	16,619,788	2
Loss for the year		
Total Comprehensive loss	(4,761,859)	-

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 and 30 June 2019.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (2019: $nil).

29 Business combinations

(a) Summary of acquisition

On 2 December 2019, FTS PHC Pty Limited ("FTS PHC") entered into a Share Purchase Agreement to acquire 53.9% of the shares in Galaxy 42 Group Pty Limited ("Galaxy 42 Group").

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration	
- Cash paid	1,896,392
- Deferred consideration	1,021,548
Total purchase consideration	**2,917,940**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	310,380
Trade receivables	1,438,971
Other current assets	28,283
Plant and equipment	2,632
Trade payables	(173,038)
Employee benefit obligations	(247,748)
Other payables	(362,674)
Current tax liabilities	(146,616)
Contract liabilities	(192,931)
Net identifiable assets acquired	**657,259**
Less non-controlling interests	(302,996)
Purchase consideration	2,917,940
Goodwill	**2,563,677**

FTH Group recognises non-controlling interests in an acquired entity at fair value or at the non-controlling interest's proportionate share of the acquired entities net identifiable assets. This decision is made on an acquisition by acquisition basis. For non-controlling interests in Galaxy 42 Group, FTH Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

The Group has applied provisional accounting to the above amounts. Provisional amounts may be adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

29 Business combinations (continued)

(b) Summary of disposals

On 30 September 2019, the Group disposed of 100% of its interest in Veritec Performance Holdings Pty Ltd to FTS ALHC Pty Ltd for a consideration of $1.

On 31 October 2019, the Group disposed of 100% of its interest in Smart Integration Pty Ltd to FTS ALHC Pty Ltd for a consideration of $1.

On 2 December 2019, the Group disposed of 100% of its interest in SME Gateway Holdings Pty Ltd to RBTH Pty Ltd for a consideration of $1.

	Veritec Performance Holdings Pty Ltd	Smart Integration Pty Ltd	SME Gateway Holdings Pty Ltd	Fair value
	$	$	$	$
Carrying amount of investment at date of disposal	2	503,791	-	**503,793**
Consideration	1	1	1	**3**
Loss (gain) on disposal	**1**	**503,790**	**(1)**	**503,790**

30 COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the Group has continued its business operations. The situation is unprecedented and management continues to consider the potential implications of COVID-19, which may include disruptions to the supply chain, availability of employees and changes in customer demand. However, as at the date these financial statements were authorised, the Group was not aware of any material adverse effects on the financial statements or future results as a result of COVID-19.

There have been no other significant changes in the state of affairs of the Group during the year.

FOUNDATION TECHNOLOGY HOLDINGS PTY LTD

Director's Declaration

The directors of the company declare that:

1) The consolidated financial statements and notes thereto, as set out on pages 7 to 38, are in accordance with the Corporations Act 2001, including

(a) complying with Accounting Standards - Reduced Disclosure Requirements; the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

2) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Shan Shamsher Kanji
Director

Sydney, 20 November 2020

Independent auditor's report

To the members of Foundation Technology Holdings Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Foundation Technology Holdings Pty Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, 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 that we 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 the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 ability of the Group 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

K.L.Woombell-Perry

Kerryn Woombell-Perry
Partner

Sydney
20 November 2020