



# PKS Holdings Limited

(Formerly known as Qpro Holdings Limited)

ABN 42 627 071 121

# Annual Report

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## About PKS

PKS Holdings Ltd (PKS) is a healthcare technology company which provides a proprietary subscription based Clinical Decision Support (CDS) system called “RippleDown”.

RippleDown automates the human decision-making process in healthcare organisations and has two components that address a number of the key issues faced by healthcare organisations:

- + RippleDown Auditor: that enables operational efficiencies through a reduction in data entry errors; and
- + RippleDown Expert: that allows faster patient throughput, better patient outcomes and mitigates succession risk.

RippleDown’s world-class proprietary technology is an intuitive, easy to use operational rule building platform and results into demonstrated cost saving for healthcare institutions.



# Chairman's Report

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**“Welcome to the first PKS annual report since listing on the Australian Securities Exchange.”**

Dear Shareholder,

The volume of healthcare and patient data continues to increase, and clinical knowledge continues to expand. Financial pressure

in healthcare organisations, however, is higher than ever. Clinical Decision Support systems (CDS) are systems specifically developed to address these issues.

Pacific Knowledge Systems (PKS) is an Australian healthcare technology company that provides a proprietary subscription based CDS system called “RippleDown”. RippleDown automates the human decision-making process within healthcare organisations. The system is based on rules within the organisation and set by domain experts.

RippleDown, being a rule engine, could be applicable to and used in many industries. PKS however will continue to target the healthcare industry.

The global healthcare IT solutions market consists of IT sales to the healthcare market and was estimated to be worth in excess of US\$134 billion in 2015. CDS, a subset of this market in which PKS competes is estimated to be worth US\$1 billion and growing at an estimated 11.8% per annum.

PKS completed its capital raising and listing on the Australian Securities Exchange (ASX) in early June 2019. The funds raised were used to fund the purchase of the technology and are being employed in executing the growth plans for the business. PKS has been mainly focusing on the pathology market. Plans are however in place to expand RippleDown into the much larger hospital market and early trials are currently being undertaken. Over the last few years PKS has been

commercialising its technology through its three channel partners, Philips, Thermo Fisher and in particular Abbott, which white-labels our CDS technology. The exclusivity period with Abbott has come to an end and PKS will establish its own business development resources both in Australia as well as the US. These resources will target new direct opportunities as well as work closely with Abbott to convert some of their leads into commercial customers. At the same time, we will invest in enhancements to the RippleDown product.

In addition, we are in detailed discussions with Abbott to expand our relationship with them.

The PKS story is a great one – it has a well-established, proven technology, is a profitable company with revenue being generated from every continent in the world, has leading channel partners and a strong team. The market where PKS is operating is large and growing and we are looking to capitalise on that now that the execution of our growth plans has commenced. I look forward to an extended period of growth in the Company.

I would finally like to thank our shareholders for their support in our first year as a public company and share my gratitude to the entire staff at PKS for their efforts now and looking into the future.

Yours faithfully,

Mike Hill  
Chairman



# CEO's Report

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**“I am pleased to be presenting the first CEO report for PKS as a public company”**

Dear Shareholder,

I am pleased to be presenting the first CEO report for PKS as a public company.

As the financial pressures in healthcare organisations are

increasing, patient volumes growing and patients having higher expectations, it leads to a large global market with favourable growth dynamics for Clinical Decision Support (CDS) software. RippleDown is in a good position as it has been established in the pathology industry for many years, is highly scalable, obtains revenue from every continent of the world and has established global channel partnerships with leading multinational companies, being Thermo Fisher, Philips and Abbott.

PKS has a strong financial profile, with sticky revenues, 85% of its revenue being recurring revenue, which grew at 7.5% in 2019.

After PKS entered into a worldwide distribution agreement with Abbott Laboratories, whereby Abbott white-labels RippleDown, PKS eliminated its direct sales efforts due to an exclusivity arrangement. This exclusivity has now come to an end. Abbott has been steadily building the CDS business and has in total installed 17 licenses of our software around the world.

The initial term of the agreement with Abbott comes to an end in April 2020. Recently Abbott and PKS have been in detailed discussions to amend this agreement and it is expected that the amendment will be executed in the near term.

In addition to growth through its channel partners, and with the exclusivity period with Abbott now ended, PKS will start its direct business development activities again, in particular in the Asia Pacific region and the USA. These business development resources will target customers directly as well as work closely with Abbott for specific customer opportunities. As PKS' current business is to a large extent contained to pathology laboratories, we will extend our focus into other areas, in particular hospitals. We will continue to work closely with our customers to ensure that RippleDown usage in their organisation increases and that the benefits received from our product continues to expand. In return we want to ensure that we receive a fair income from this usage.

For PKS I see a tremendous opportunity with a well proven product, strong channel partners, a strong team and enormous potential opportunities to expand the usage of RippleDown beyond pathology.

Following the successful IPO, the company now has the resources to expand its direct to market footprint and when combined with the new Abbott Agreement and Extension, we are looking forward to driving further revenue opportunities in the year ahead.

Yours Sincerely,

Ronald Van der Pluijm  
Managing Director and CEO



# Review of Operations

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PKS supports healthcare organisations by interpreting critical information in an accurate, consistent and reliable manner, across multiple data sources. The solution has a broad range of applications across the healthcare services industry, with a number of major laboratories and some hospitals across the world being users of the RippleDown software.

The key value propositions of the RippleDown solution for healthcare organisations are the potential to:

- + improve operational efficiency, with opportunities for significant cost savings and revenue improvements;
- + reduce risk for the organisation as clinical decisions can be supported by an auditable trail of knowledge-based rules built up by domain experts within the organisation; and
- + enable better decision making, leading to better patient outcomes.

PKS' sales and distribution model involves both direct sales and sales via global channel partners. PKS has executed three global channel partnerships with major multi-national healthcare organisations, being Abbott, a multinational healthcare products and services company headquartered in the US, Philips, a leading European health technology company, and Thermo Fisher, a US-based multinational life science organisation.

PKS is based in Sydney, Australia and maintains a global footprint. PKS has 15 direct customers using the products with the software installed in over 100 sites across five continents. While PKS has Australian heritage and an installed base of Australian customers, over recent years the focus has been on international markets, which made up approximately 65% of its FY2019 revenue.

## Sales and Distribution

Over the last two years, PKS has had a limited direct sales capability. This was due to PKS' focus on enabling sales through channel partners and the exclusivity arrangement with Abbott was in effect (see below).

The exclusivity arrangement has now expired and PKS will now establish its own business development resources with a specific focus on ANZ and the US. The benefits of this opportunity are:

- + higher margins achievable from customers sourced directly rather than through channel partners; and
- + greater support for channel partners within key geographies resulting in greater numbers and rates of installations.

Channel partners provide a range of benefits for PKS that it cannot achieve on its own, including:

- + providing an implicit validation of the technology;
- + educating organisations on the benefits of CDS more broadly, and RippleDown specifically;
- + allowing more targeted approaches for direct sales; and
- + introducing the product to a wide range of their own global customers that PKS could not otherwise access.

## Revenue Model

PKS' revenue model varies depending on whether the customer is sourced directly or via a channel partner.

For direct customers, PKS typically earns an annual licence fee and/or an Episode Usage Fee. Episode Usage Fees can be calibrated to the number of cases sent to RippleDown, or the number of interpretations made by RippleDown. Either approach assists in giving the organisation confidence its Episode Usage Fee cost is reflective of the value it is achieving. This encourages the continual expansion of rules which in turn drives greater volumes of patient cases for the rules to interpret and as a result, greater Episode Usage Fee revenue for PKS.

Direct customers who have licenced the technology for a number of years and are processing significant volumes have negotiated fixed price licence agreements.

The average revenue per direct customer in FY2019 was approximately \$170,000 per annum, and ranged from approximately \$15,000 per annum to approximately \$1 million per annum.

For customers sourced via channel partners, PKS typically earns an up-front fee on installation and a fixed ongoing licence fee. While all channel partner contracts differ, current revenue from a new installation with a channel partner customer might be approximately \$22,000 in the first year with around one third of this amount being an up-front fee, with the remainder being recurring revenue for the life of the contract.

	2017	2018	2019
Cumulative Channel Partner Installations	1	9	19

In addition, PKS generates revenue from consulting / software development fees and training.

## Customers and Geographic Coverage

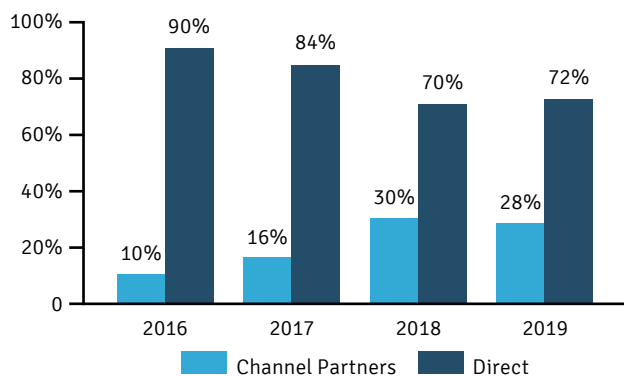
RippleDown is currently installed in over 100 sites globally by 15 direct customers and via its global channel partners. PKS' largest customer represented approximately 27% of FY2019 revenues and the top five represented 65% of revenues.

Customer	Expert and Auditor	Auditor Only	Expert Only	Total
Direct Customers	8	2	5	15
Channel Partners	18	0	84	102
<b>Total</b>	<b>26</b>	<b>2</b>	<b>89</b>	<b>117</b>

Over the years PKS has achieved strong customer retention.

Until 2015, PKS focused its sales efforts on direct sales of RippleDown. PKS switched focus to channel partner sales in 2016, as demonstrated by the evolution of revenues generated from each source from FY2016 to FY2019.

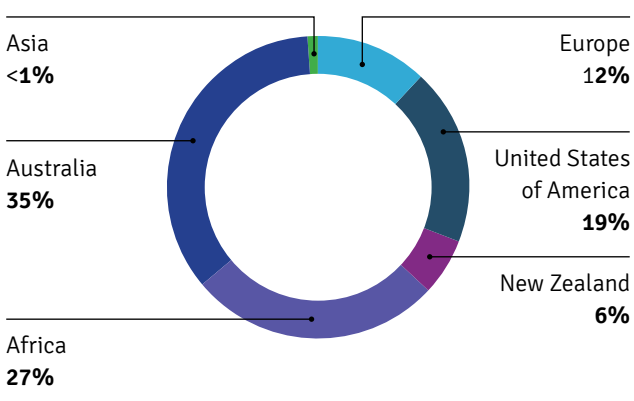
### Revenue by distribution channel



The percentage of sales contributed by our channel partners has decreased slightly from 2018 to 2019. The reason is that now we have trained many staff of Abbott they can take over part of the training and integration activities themselves.

PKS is a global business, with around 65% of customer revenue (approximately \$2.5 million in FY2019) derived from offshore customers, as set out below.

### Revenue by region FY2019



## Growth Strategy and Major Initiatives

PKS has identified the following strategies to drive growth in revenue and earnings in future years:

**Existing Channel Partner Development:** PKS intends to work closely with existing channel partners to promote the sales and installation of RippleDown globally. Currently we estimate that there are up to 250 leads and opportunities in the pipeline with the channel partners.

Abbott and PKS have come to an agreement whereby Abbott and PKS will work closely together to target specific potential customers both in the ANZ region as well as in the US. Specific revenue sharing models for these opportunities will be agreed on a case by case basis.

**New Direct Customer sales:** While the current focus of PKS is on generating sales through channel partners, it also sees significant scope for direct sales of products, utilising its own sales resources. The first two target markets for direct sales are the ANZ region and the United States, which has over 30,000 laboratories, approximately 100 times more laboratories than in Australia.

Business Development resources have now been established in Australia and a suitable solution for the US market is being actively pursued. The focus on the ANZ market has already resulted in the generation of strong leads.

**Expansion beyond pathology:** Until now PKS has focused its commercialisation efforts primarily onto pathology laboratories. However, as RippleDown is a "rules engine" its application can be much wider. PKS will in particular focus its expansion into the much larger hospital market and two early stage trials in early warning systems, acute care are currently being undertaken by two leading cardiologists in hospitals in Sydney.

**Price Increases:** As the RippleDown brand becomes more recognisable through direct and channel partner installations, PKS believes there may be an opportunity to increase product pricing for new contracts.



## FINANCIAL INFORMATION (“PROFORMA”)

PKS Holdings Ltd was established on 26 June 2018. For comparative purposes, the 2018 Statement of Profit and Loss of the operating entity, PKS Pty Ltd, is presented below. The 2019 results are presented excluding the acquisition costs and other one-off items related to the IPO. The audited financial statements are presented further in this report.

Proforma Statement of Profit and Loss (\$000)	FY2018	FY2019
<b>Operating Revenue:</b>		
Annual licence fees	704	731
Episode usage fees	2,373	2,578
Initial licence fees, consulting, training and other	797	542
Government grants	15	12
<b>Total operating revenue</b>	<b>3,889</b>	<b>3,863</b>
<b>Operating Expenses:</b>		
Staff costs	1,053	1,211
Sales and marketing costs	393	249
Occupancy costs	111	117
Other expenses	227	187
<b>Total operating expenses</b>	<b>1,784</b>	<b>1,764</b>
<b>EBITDA</b>	<b>2,105</b>	<b>2,099</b>
Depreciation and amortisation	50	87
<b>EBIT</b>	<b>2,055</b>	<b>2,012</b>

Note 1: Figures above are non-GAAP and are presented for commentary purposes.

The table below is a summary of key financial metrics for FY2018 and FY2019.

Key Statistics	FY2018	FY2019
Operating revenue growth	11.1%	-0.6%
Recurring revenue % of total operating revenue <sup>(1)</sup>	79.1%	85.6%
Sales and marketing costs % of total operating revenue	10.1%	6.4%
Staff costs % of revenue	27.1%	31.3%
EBITDA margin	54.1%	54.3%

Notes:

(1) Recurring revenues are annual licence fees and Episode Usage Fees only



## Commentary on Financial results

### Revenue

PKS generates revenue from the sources set out in the table below.

Revenue Source	% of Revenue FY2018 <sup>1</sup>	% of Revenue FY2019	Description
Annual Licence Fees	18.1%	18.9%	Fee for software upgrades and support for RippleDown products.
Episode Usage Fees	61.0%	66.7%	Usage-based fee, typically based on the number of episodes (e.g. test orders) conducted by the customer during the month. These fees are fixed for a large number of existing direct customers under contract.
Initial Licence Fees	1.6%	2.5%	Fee for initial installation of RippleDown products.
Consulting/Software Development Fees	12.6%	6.6%	Consulting support requested by the customer for sales and technical advice and any customer specific software development.
Training	3.6%	1.4%	Training provided to customers for rule building.
Expense Recovery	2.7%	1.4%	Recovery of travel expenses (airfares, accommodation, meals, etc.) at cost (i.e. no mark-up).
Government Grants	0.4%	0.3%	R&D grants and Job Start Initiative Grant.

Total operating revenue for 2019 is virtually equal to 2018. It is however important to note that the recurring revenue, which is made up of annual license fees + episode usage fees has increased 7.5% from \$3.1 million to \$3.3 million. The main decline in sales is related to the consulting income (consulting, software development fees, training and expense recovery) which reduced by almost 50% from 18.1% of sales (\$0.71m) to 9.4% of sales (\$0.36m). This decline occurred as during 2018 PKS spent a lot of time training the Abbott staff in RippleDown and as a result Abbott has become more self-sufficient in selling and implementing the product. The results of this now become apparent with the number of channel partner installations increasing steadily year on year.

### Expenses

PKS' major operating expenses are described below:

Expense type	% of Revenue FY2018	% of Revenue FY2019	Description
Staff costs	27.1%	31.3%	Salaries and on costs for PKS staff.
Sales and marketing costs	10.1%	6.4%	Primarily costs of travel and marketing / sales consultants.

Staff costs increased in FY 2019 as an additional resource was appointed to focus on the commercialisation opportunities in the Company.

Sales and marketing costs declined as the use of consultants in focusing on sales and marketing did decrease.

Occupancy costs were similar.

Other expenses in the business (which include professional fees, insurances, and IT expenses) decreased slightly over the year.

Amortisation increased in FY2019 following the continued capitalisation of R&D expenses, and subsequent amortisation of software development costs. These capitalised costs are currently amortised over a 10-year period.



# Board of Directors



**Mike Hill**

**Non-Executive Chairman**

Michael has more than 20 years' experience working on corporate and private equity transactions in Australia and the UK. Michael is a former Partner of Ernst & Young in the M&A advisory team and has also worked as a principal investor with Ironbridge Capital from 2004 to 2014. At Ironbridge Capital he was involved with the Ironbridge Healthcare investments in Affinity Hospitals, a network of 54 private hospitals later sold to Ramsay Healthcare and Healthscope, and the roll-up investment in a number of IVF businesses to create Monash IVF Limited. Michael is a founder of Bombora Investment Management, an investment and advisory group based in Sydney. He is a member of the Institute of Chartered Accountants in Australia.



**Ronald Van der Pluijm**

**Managing Director and Chief Executive Officer**

Ron is recognised as a highly adaptable and energetic commercial leader with a very successful track record in start-up, turnaround, multinational and ASX listed corporate environments focusing on the life science industry. He has a successful track record in building and growing operational companies through business development, partnerships and licensing and M&A resulting in strong sales and profit growth. As CEO Australia /New Zealand at Actavis (now Allergan) he successfully turned the business around and put it on the path to growth. He was part of the ASX listed Psiron team (subsequently renamed Viralytics) which acquired the oncolytic immunotherapy which was acquired by MSD in 2019 for \$500 million.

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**Andrew Gray**

**Non-Executive Director**

Andrew Gray is the Managing Director of Potentia, a technology-focused investment firm. Before founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than \$3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Before joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US\$6 billion in capital under management. Andrew serves as Chairman of Ascender HCM, a leading payroll software provider and is a Director of PCEftpos, a provider of payments integration software. Andrew has a Degree in Aeronautical Engineering with First Class Honours from the University of Sydney and an MBA from The Harvard Business School.



**Neil Broekhuizen**

**Non-Executive Director**

Neil is the Joint Chief Executive Officer of Ironbridge Capital. Neil has 25 years of private equity experience with Investcorp and Bridgepoint in Europe, and with Ironbridge in Asia. Neil has extensive healthcare and technology investing experience and currently sits on the ASX listed Boards: Chair of Bravura Solutions Ltd (BVS) and Director of Monash IVF (MVF). Neil has a BSc (Eng) Honours degree from Imperial College, University of London and is an ACA.



**Paul Williams**

**Non-Executive Director**

Paul has a proven history of ICT managerial performance across the health, transport, logistics and resources industries, most recently as Chief Information Officer at Healthscope Ltd where he was responsible for all ICT activities at Australia's largest provider of integrated healthcare, covering 44 private hospitals across Australia, national and international pathology services and 50 medical centres. He has extensive experience in delivering innovation, change and reform within large and complex businesses. Prior to Healthscope, Paul was the Head of Information Services at the National E-Health Transition Authority and National IT Manager, Pathology for Mayne/Symbion/Primary.



# 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 PKS Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2019.

## Directors

The following persons were directors of PKS Holdings Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Michael Hill  
Ronald Van der Pluijm (appointed 31 May 2019)  
Andrew Gray (appointed 31 May 2019)  
Neil Broekhuizen (appointed 31 May 2019)  
Paul Williams (appointed 31 May 2019)  
Joshua May (resigned on 6 June 2019)  
Gregg Taylor (resigned on 6 June 2019)  
David Willington (resigned on 6 June 2019)

## Principal activities

PKS Holdings Limited (formerly known as Qpro Holdings Limited) was incorporated on 26 June 2018 to be used as the ultimate parent of operating entity Pacific Knowledge Systems Pty Ltd (PKS) in the Initial Public Offering (IPO) on the Australian Securities Exchange (ASX). On 31 May 2019, PKS Holdings Limited acquired 100% of the issued capital of DPP Holdings Pty Ltd (DPP), which owns PKS. The company was admitted to the Official List of ASX on 3 June 2019.

Following the acquisition, the principal continuing activity of the consolidated entity was software programming.

## Dividends

There were no dividends paid, recommended or declared during the current financial period.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$932,360.

A full review of operations is presented on page 4.

## Significant changes in the state of affairs

On 31 May 2019, the company completed the acquisition of 100% of the issued capital and voting rights of DPP Holdings Pty Ltd. On 3 June 2019, the company was admitted to the Official List of ASX. The company raised \$20,948,200 from the issue of 104,741,000 shares at an issue price of \$0.20 per share in the IPO.

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

## Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2019 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

In the short time since the listing, the consolidated entity has been focused on building out its team further developing its product, expanding into new markets and new customers.

## Environmental regulation

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



## Information on directors

Name:	Michael Hill
Title:	Non-Executive chairman
Experience and expertise:	Michael has more than 20 years' experience working on corporate and private equity transactions in Australia and the UK. Michael is a former Partner of Ernst & Young in the M&A advisory team and has also worked as a principal investor with Ironbridge Capital from 2004 to 2014. At Ironbridge Capital he was involved with the Ironbridge Healthcare investments in Affinity Hospitals, a network of 54 private hospitals later sold to Ramsay Healthcare and Healthscope, and the roll-up investment in a number of IVF businesses to create Monash IVF Limited. Michael is a founder of Bombora Investment Management, an investment and advisory group based in Sydney. He is a member of the Institute of Chartered Accountants in Australia.
Other current directorships:	AHALife Holdings Limited (Non-Executive Chairman) Janison Education Group Limited (Chairman) Acrow Formwork and Construction Limited (Non-Executive Director)
Former directorships (last 3 years):	Rhipe Limited (Non-Executive Chairman) resigned on 26 March 2019 LiveTiles Limited (Non-Executive Director) resigned on 5 September 2017 JustKapital Litigation Partners Limited (Non-Executive Director) resigned on 27 November 2017 Prime Media Group Limited (Non-Executive Director) resigned on 22 August 2016
Interests in shares:	1,250,000 ordinary shares*
Interests in options:	None
Contractual rights to shares:	None

Name:	Ronald Van der Pluijm
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Ron is recognised as a highly adaptable and energetic commercial leader with a very successful track record in start-up, turnaround, multinational and ASX listed corporate environments focusing on the life science industry. He has a successful track record in building and growing operational companies through business development, partnerships and licensing and M&A resulting in strong sales and profit growth. As CEO Australia /New Zealand at Actavis (now Allergan) he successfully turned the business around and put it on the path to growth. He was part of the ASX listed Psiron team (subsequently renamed Viralytics) which acquired the oncolytic immunotherapy which was acquired by MSD in 2019 for \$500 million.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	250,000 ordinary shares**
Interests in options:	800,000 options
Contractual rights to shares:	800,000 performance rights



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Name:	Andrew Gray
Title:	Non-Executive Director
Experience and expertise:	Andrew Gray is the Managing Director of Potentia, a technology-focused investment firm. Before founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than \$3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Before joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US\$6 billion in capital under management. Andrew serves as Chairman of Ascender HCM, a leading payroll software provider and is a Director of PCEftpos, a provider of payments integration software. Andrew has a Degree in Aeronautical Engineering with First Class Honours from the University of Sydney and an MBA from The Harvard Business School.
Other current directorships:	None
Former directorships (last 3 years):	LiveTiles Limited (Non-Executive Director) resigned on 22 November 2017
Interests in shares:	1,350,000 ordinary shares***
Interests in options:	750,000 options
Contractual rights to shares:	2,000,000 performance rights

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Name:	Neil Broekhuizen
Title:	Non-Executive Director
Experience and expertise:	Neil is the Joint Chief Executive Officer of Ironbridge Capital. Neil has 25 years of private equity experience with Investcorp and Bridgepoint in Europe, and with Ironbridge in Asia. Neil has extensive healthcare and technology investing experience and currently sits on the ASX listed Boards of Bravura Solutions Ltd (BVS) and Monash IVF (MVF). Neil has a BSC (Eng) Honours degree from Imperial College, University of London and is an ACA.
Other current directorships:	Bravura Solutions Limited (Non-Executive Director) Monash IVF Group Limited (Non-Executive Director)
Former directorships (last 3 years):	None
Interests in shares:	1,300,000 ordinary shares****
Interests in options:	750,000 options****
Contractual rights to shares:	2,000,000 performance rights****

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**Name:** Paul Williams

**Title:** Non-Executive Director

**Experience and expertise:** Paul has a proven history of ICT managerial performance across the health, transport, logistics and resources industries, most recently as Chief Information Officer at Healthscope Ltd where he was responsible for all ICT activities at Australia’s largest provider of integrated healthcare, covering 44 private hospitals across Australia, national and international pathology services and 50 medical centres. He has extensive experience in delivering innovation, change and reform within large and complex businesses. Prior to Healthscope, Paul was the Head of Information Services at the National E-Health Transition Authority and National IT Manager, Pathology for Mayne/Symbion/Primary.

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Interests in shares:** 250,000 ordinary shares

**Interests in options:** 150,000 options

**Contractual rights to shares:** 400,000 performance rights

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**Name:** Joshua May

**Title:** Non-Executive Director

**Experience and expertise:** Joshua is a Chartered Accountant and transaction advisory specialist, with over 20 years’ experience in Corporate Finance. He is a founder of Bombora Investment Management, an investment and advisory group based in Sydney. Joshua has broad corporate advisory experience gained over many years and through various economic cycles. Transaction themes have included M&A, private equity, entrepreneurial clients seeking growth capital, succession planning for large established private businesses, and sale of non-core assets for large corporations. His industry experience is broad across healthcare, construction related products and services, mining, food, consumer and retail industries.

**Other current directorships:** Acrow Formwork and Construction Services Limited (Non-Executive Director)

**Former directorships (last 3 years):** None

**Interests in shares:** None

**Interests in options:** None

**Contractual rights to shares:** None

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**Name:** Gregg Taylor

**Title:** Non-Executive Director

**Experience and expertise:** Gregg has 20 years of international business experience in financial markets, technology, sports administration, media and retail. Gregg is a founder of Bombora Investment Management, an investment and advisory group based in Sydney. Gregg has founded and managed multiple global operating businesses in sports, retail and media sectors. Gregg has a Bachelor of Commerce Degree from University of Wollongong and was a CFA Charter holder.

**Other current directorships:** Acrow Formwork and Construction Pty Ltd

**Former directorships (last 3 years):** None

**Interests in shares:** None

**Interests in options:** None

**Contractual rights to shares:** None

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Name:	David Willington
Title:	Non-Executive Director
Experience and expertise:	David has over 25 years' experience in corporate finance and investment banking and during his career has primarily advised companies in the technology, media and telecommunications industry. David is a founder of Bombora Investment Management, an investment and advisory group based in Sydney. Previously, David was a Partner at Deloitte Corporate Finance and prior to that was an investment banker with N M Rothschild & Sons and Citigroup. David has a Bachelor of Commerce, is a member of the Institute of Chartered Accountants Australia and New Zealand and is a Fellow of the Financial Services Institute of Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	237,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

- \* Michael Hill holds 500,000 interests in shares indirectly through Jarumitoti Superannuation Fund Pty Ltd <Jarumitoti Super Fund A/C> and 750,000 interests in shares indirectly through Malolo Holdings Pty Ltd <Malolo Holdings A/C>, both of which he is the ultimate controlling party.
- \*\* Ronald Van der Pluijm holds his interests in shares indirectly through Perfume Only Pty Ltd <Tiger A/C>, of which he is the ultimate controlling party.
- \*\*\* Andrew Gray holds 1,250,000 interests in shares indirectly through Caladan Capital Pty Ltd, of which he is the ultimate controlling party.
- \*\*\*\* Neil Broekhuizen holds his interests in shares, options and performance rights indirectly through Jaspas Investments Pty Ltd ATF The Jaspas Discretionary Family Trust, of which he is the ultimate controlling party.

## Company secretary

Maggie Niewidok is an admitted lawyer who works at Automic Group across the Automic Legal and Company Secretarial teams. She works closely with a number of boards of both listed and unlisted public companies. Maggie holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance and is in the final stages of completing her Graduate Diploma of Applied Corporate Governance from the Governance Institute.



## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Michael Hill	3	3	-	-	-	-
Ronald Van der Pluijm	2	2	-	-	-	-
Andrew Gray	2	2	-	-	-	-
Neil Broekhuizen	2	2	-	-	-	-
Paul Williams	2	2	-	-	-	-
Joshua May	1	1	-	-	-	-
Gregg Taylor	1	1	-	-	-	-
David Willington	1	1	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

## Remuneration report (audited)

The remuneration report details the key management personnel 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 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
- + Additional information
- + Additional disclosures relating to key management personnel

## Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and

it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- + competitiveness and reasonableness
- + acceptability to shareholders
- + performance linkage / alignment of executive compensation
- + transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- + having economic profit as a core component of plan design
- + focusing on sustained growth in shareholder wealth and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- + attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:



- + rewarding capability and experience
- + reflecting competitive reward for contribution to growth in shareholder wealth
- + providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

## Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

## Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- + base pay and non-monetary benefits
- + short-term performance incentives
- + share-based payments
- + other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and company performance and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

## 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.

The key management personnel of the consolidated entity consisted of the following directors of PKS Holdings Limited:

- + Michael Hill – Non-Executive Chairman
- + Ronald Van der Pluijm (appointed 31 May 2019) – Managing Director and Chief Executive Officer
- + Andrew Gray (appointed 31 May 2019) – Non-Executive Director
- + Neil Broekhuizen (appointed 31 May 2019) – Non-Executive Director
- + Paul Williams (appointed 31 May 2019) – Non-Executive Director
- + Joshua May (resigned on 6 June 2019) – Non-Executive Director
- + Gregg Taylor (resigned on 6 June 2019) – Non-Executive Director
- + David Willington (resigned on 6 June 2019) – Non-Executive Director

The period from 26 June 2018 to 30 June 2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Annual leave \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>							
Michael Hill (Chairman)	35,636	-	-	3,385	-	-	39,021
Andrew Gray	4,566	-	-	434	-	9,772	14,772
Neil Broekhuizen	4,566	-	-	434	-	9,772	14,772
Paul Williams	4,566	-	-	434	-	1,954	6,954
Joshua May	39,722	-	-	-	-	-	39,722
Gregg Taylor	39,722	-	-	-	-	-	39,722
David Willington	39,722	-	-	-	-	-	39,722
<i>Executive Directors:</i>							
Ronald Van der Pluijm	108,521	-	2,127	2,313	11	5,170	118,142
	<b>277,021</b>	<b>-</b>	<b>2,127</b>	<b>7,000</b>	<b>11</b>	<b>26,668</b>	<b>312,827</b>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration The period from 26 June 2018 to 30 June 2019	Performance related The period from 26 June 2018 to 30 June 2019
<i>Non-Executive Directors:</i>		
Michael Hill (Chairman)	100%	-
Andrew Gray	34%	66%
Neil Broekhuizen	34%	66%
Paul Williams	72%	28%
Joshua May	100%	-
Gregg Taylor	100%	-
David Willington	100%	-
<i>Executive Directors:</i>		
Ronald Van der Pluijm	<b>96%</b>	<b>4%</b>



## 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:	Michael Hill
Title:	Non-Executive Chairman
Agreement commenced:	31 May 2019
Details:	\$80,000 per annum including superannuation. No notice period.
Name:	Ronald Van der Pluijm
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	31 May 2019
Details:	\$320,000 per annum including superannuation. 3 months' termination notice.
Name:	Andrew Gray
Title:	Non-Executive Director
Agreement commenced:	31 May 2019
Details:	\$60,000 per annum including superannuation. No notice period.
Name:	Neil Broekhuizen
Title:	Non-Executive Director
Agreement commenced:	31 May 2019
Details:	\$60,000 per annum including superannuation. No notice period.
Name:	Paul Williams
Title:	Non-Executive Director
Agreement commenced:	31 May 2019
Details:	\$60,000 per annum including superannuation. No notice period.

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



## Share-based compensation

### Issue of shares

There were no shares issued to directors as part of compensation during the period ended 30 June 2019.

### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors in this financial period 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
Ronald Van der Pluijm	800,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Andrew Gray	750,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Neil Broekhuizen	750,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Paul Williams	150,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058

The options will vest if each of the following conditions are satisfied:

- the holder must be employed and/or engaged by the company for at least two years from the date of issue of the options; and
- the 5 day VWAP of the company's share price is 40 cents or above for more than 30 days.

All shares allotted upon the exercise of options will upon allotment rank pari passu in all respects with other shares.

Values of options over ordinary shares granted, exercised and lapsed for directors as part of compensation during the period ended 30 June 2019 are set out below:

Name	Value of options granted during the period \$	Value of options exercised during the period \$	Value of options lapsed during the period \$	Remuneration consisting of options for the period %
Ronald Van der Pluijm	2,018	-	-	2%
Andrew Gray	1,892	-	-	13%
Neil Broekhuizen	1,892	-	-	13%
Paul Williams	378	-	-	5%

## Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors in this financial period or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Ronald Van der Pluijm	800,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Andrew Gray	2,000,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Neil Broekhuizen	2,000,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Paul Williams	400,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090

The performance rights will vest if each of the following conditions are satisfied:

- the holder must be employed and/or engaged by the company for at least two years from the date of issue of the performance rights; and
- the 5 day VWAP of the company's share price is 40 cents or above for more than 30 days.

All shares allotted upon the conversion of performance rights will upon allotment rank pari passu in all respects with other shares.

Values of performance rights over ordinary shares granted, vested and lapsed for directors as part of compensation during the period ended 30 June 2019 are set out below:

Name	Value of rights granted during the period \$	Value of rights vested during the period \$	Value of rights lapsed during the period \$	Remuneration consisting of rights for the period %
Ronald Van der Pluijm	3,152	-	-	3%
Andrew Gray	7,880	-	-	53%
Neil Broekhuizen	7,880	-	-	53%
Paul Williams	1,576	-	-	23%

## Additional information

The earnings of the consolidated entity since listing are summarised below:

	The period from 26 June 2018 to 30 June 2019 \$
Sales revenue	294,433
EBITDA	(811,714)
EBIT	(842,699)
Loss after income tax	(932,360)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

The period from  
26 June 2018 to  
30 June 2019

Share price at financial year end (\$)	0.19
Basic earnings per share (cents per share)	(5.05)
Diluted earnings per share (cents per share)	(5.05)

## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the company held during the financial period by each director of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Michael Hill*	-	-	1,250,000	-	1,250,000
Ronald Van der Pluijm*	-	-	250,000	-	250,000
Andrew Gray**	-	-	1,350,000	-	1,350,000
Neil Broekhuizen*	-	-	1,300,000	-	1,300,000
Paul Williams*	-	-	250,000	-	250,000
David Willington	-	-	237,000	-	237,000
	-	-	<b>4,637,000</b>	-	<b>4,637,000</b>

\* These directors elected to put 50% of all share held by them as per the IPO in voluntary escrow.

\*\* Andrew Gray elected to put 675,000 shares as per the IPO in voluntary escrow.

### Option holding

The number of options over ordinary shares in the company held during the financial period by each director of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
<i>Options over ordinary shares</i>					
Ronald Van der Pluijm	-	800,000	-	-	800,000
Andrew Gray	-	750,000	-	-	750,000
Neil Broekhuizen	-	750,000	-	-	750,000
Paul Williams	-	150,000	-	-	150,000
	-	<b>2,450,000</b>	-	-	<b>2,450,000</b>

## Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial period by each director of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the period
<i>Performance rights over ordinary shares</i>					
Ronald Van der Pluijm	-	800,000	-	-	800,000
Andrew Gray	-	2,000,000	-	-	2,000,000
Neil Broekhuizen	-	2,000,000	-	-	2,000,000
Paul Williams	-	400,000	-	-	400,000
	-	<b>5,200,000</b>	-	-	<b>5,200,000</b>

This concludes the remuneration report, which has been audited.

## Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
01/10/2018	30/09/2023	\$0.10	7,000,000
30/05/2019	29/05/2024	\$0.20	4,150,000
			<b>11,150,000</b>

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 under performance rights

Unissued ordinary shares of PKS Holdings Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
30/05/2019	29/05/2024	\$0.00	5,200,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right 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 PKS Holdings Limited issued on the exercise of options during the period ended 30 June 2019 and up to the date of this report.

## Shares issued on the exercise of performance rights

There were no ordinary shares of PKS Holdings Limited issued on the exercise of performance rights during the period ended 30 June 2019 and up to the date of this report.

## 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 period, 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 period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, 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 period by the auditor are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial period, 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 19 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.

## Officers of the company who are former directors of HLB Mann Judd Assurance (NSW) Pty Ltd

There are no officers of the company who are former directors of HLB Mann Judd Assurance (NSW) Pty Ltd.

## 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

HLB Mann Judd Assurance (NSW) 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



Mike Hill  
Chairman

30 August 2019





# Auditor's Independence Declaration



To the directors of PKS Holdings Limited:

As lead auditor for the audit of the consolidated financial report of PKS Holdings Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to PKS Holdings Limited and the entities it controlled during the period.

**S P James**  
Partner

**Sydney, NSW**  
**30 August 2019**

**hlb.com.au**

**HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215**

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# Financial Report Contents

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## General information

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

PKS Holdings Limited was incorporated on 26 June 2018, these financial statements include all transactions and activities since the incorporation date until 30 June 2019.

PKS Holdings 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

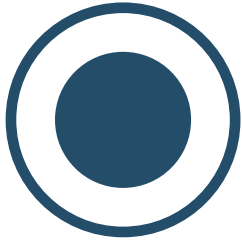
Level 5  
126 Phillip Street  
Sydney, NSW 2000

### Principal place of business

Level 5  
126 Phillip Street  
Sydney, NSW 2000

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 26 August 2019. The directors have the power to amend and reissue the financial statements.

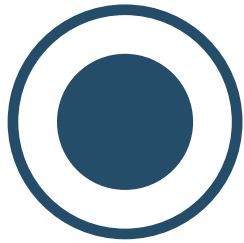


# Statement of Profit or Loss and other Comprehensive Income

For the period ending 30 June 2019

Name	Note	Consolidated The period from 26 June 2018 to 30 June 2019 \$
<b>Revenue</b>	3	295,938
Other income		4,189
<b>Expenses</b>		
Employee benefits expense		(312,341)
Depreciation and amortisation expense	4	(30,985)
Finance costs		(2)
Sales and marketing		(67,361)
Occupancy costs		(10,319)
Compliance costs		(102,562)
Professional fees		(475,923)
Share based payment expense		(124,189)
Other expenses		(19,146)
<b>Loss before income tax expense</b>		<b>(842,701)</b>
Income tax expense	5	(89,659)
<b>Loss after income tax expense for the period attributable to the owners of PKS Holdings Limited</b>		<b>(932,360)</b>
Other comprehensive income for the period, net of tax		-
<b>Total comprehensive loss for the period attributable to the owners of PKS Holdings Limited</b>	<b>15</b>	<b>(932,360)</b>
		<b>Cents</b>
Basic earnings per share	30	(5.05)
Diluted earnings per share	30	(5.05)

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

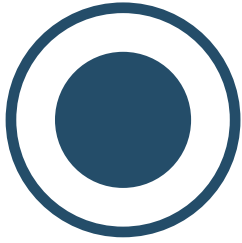


# Statement of Financial Position

As at 30 June 2019

Name	Note	Consolidated 30 June 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		4,136,342
Trade and other receivables	6	1,134,933
Current tax assets	5	56,940
<b>Total current assets</b>		<b>5,328,215</b>
<b>Non-current assets</b>		
Property, plant and equipment	7	68,371
Intangibles	8	14,825,537
Deferred tax assets	5	951,457
Total non-current assets		15,845,365
<b>Total assets</b>		<b>21,173,580</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	9	322,238
Contract liabilities	10	506,585
Employee benefits	11	146,271
<b>Total current liabilities</b>	<b>15</b>	<b>975,094</b>
<b>Non-current liabilities</b>		
Employee benefits	12	25,563
Total non-current liabilities		25,563
<b>Total liabilities</b>		<b>1,000,657</b>
<b>Net assets</b>		<b>20,172,923</b>
<b>Equity</b>		
Issued capital	13	20,907,473
Reserves	14	197,810
Accumulated losses	15	(932,360)
<b>Total equity</b>		<b>20,172,923</b>

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



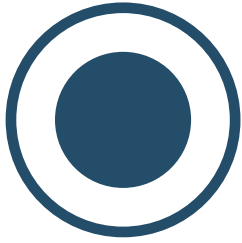
# Statement of Changes in Equity

For the period ending 30 June 2019

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 26 June 2018	-	-	-	-
Loss after income tax expense for the period	-	-	(932,360)	(932,360)
Other comprehensive income for the period, net of tax	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	<b>(932,360)</b>	<b>(932,360)</b>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	20,907,473	-	-	20,907,473
Share-based payments (note 14)	-	197,810	(932,360)	197,810
<b>Balance at 30 June 2019</b>	<b>20,907,473</b>	<b>197,810</b>	<b>-</b>	<b>20,172,923</b>

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





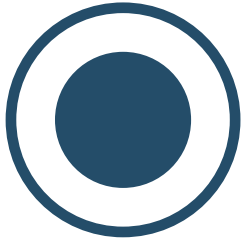
# Statement of Cash Flows

For the period ending 30 June 2019

For personal use only

	Note	Consolidated The period from 26 June 2018 to 30 June 2019 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)		72,466
Payments to suppliers and employees (inclusive of GST)		(1,092,632)
		(1,020,166)
Interest received		1,505
Interest and other finance costs paid		(2)
Net cash used in operating activities	27	(1,018,663)
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	24	(15,449,414)
Payments for intangibles	8	(119,259)
Net cash used in investing activities	15	(15,568,673)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	13	21,718,200
Share issue transaction costs		(994,522)
Net cash from financing activities		20,723,678
Net increase in cash and cash equivalents		4,136,342
Cash and cash equivalents at the beginning of the financial period		-
<b>Cash and cash equivalents at the end of the financial period</b>		<b>4,136,342</b>

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



# Notes to the Financial Statements

For the period ending 30 June 2019

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### 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 23.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PKS Holdings Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the period then ended. PKS Holdings 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.

## 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 PKS Holdings 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Revenue recognition

### Sale of goods and services

The consolidated entity applies the following 5-step model for revenue recognition related to contracts with customers:

- a) Identify the contract(s) with customer
- b) Identify the performance obligation in the contract
- c) Determine the transaction price
- d) Allocated the transaction price to the performance obligation in the contract
- e) Recognise revenue when or as the entity satisfied in performance obligations.

The entity recognises sales revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer, which is when the customer receives the product upon installation. The amount of revenue recognised reflects the consideration to which the entity is or expects to be entitled in exchange for those goods or services.

Contracts with customers can include various combinations of products and services, which are distinct and accounted for as separate performance obligations. The revenue associated with each obligation is calculated based on its stand-alone selling price.

Revenue is recognised over time if the customer simultaneously receives and consumes the benefits as the entity performs. If this is not the case, revenue is recognised at a point in time.

The entity recognises revenue predominantly from the following sale of software and services:

### RippleDown Products

RippleDown products are sold as a ready to use product and are usable by the customer at the time of installation. The performance obligation is satisfied once the customer is provided with installed RippleDown Products. This initial licence revenue is recognised at the point in time at which the installation is functional. At this point in time, the customer has control of the asset.

### Annual upgrades, maintenance and support

Contracts may include the provision of annual upgrades, maintenance and support. Upgrades are the result from minor maintenance and customers are able to elect whether to upgrade or continue using their existing product version. These services are provided annually, and the performance obligation is satisfied over the year. Licence revenue from these services is recognised on a pro-rata basis.

### Usage fee

Customer contracts may include fees based on the number of interpretations at a specified rate or an agreed monthly or quarterly amount. Revenue based on usage is recognised over time as the customer simultaneously receives and consumes the benefits.

### Training

Training services are typically provided when requested by the customer and may vary depending on the expertise of the customer. Contracts typically include charge rates for training and are invoiced once the training has been conducted. The performance obligation is satisfied over the period in which the training is conducted, and revenue is recognised over the same period.

### Development and consulting

Development and consulting services are specific to the Customer and are charged at contracted rates. These projects may include off line static analysis for rule building, support such as assistance with complex rule building, dashboard development, specific integration or marketing and pre-sales support to channel partners. The performance obligation is satisfied over the period in which the service is provided and revenue is recognised over the same period.

### 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.

### 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



## Note 1. Significant accounting policies (continued)

- 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance is recognised in profit or loss.

## Property, plant and equipment

Property, 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 basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	4-10 years
Plant and equipment	3-10 years
Furniture, fixtures and fittings	4-20 years

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

An item of property, plant and equipment is derecognised 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.

## Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are 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 consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

## 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 derecognition 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.

## Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

## Software

Significant costs associated with software 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





## Note 1. Significant accounting policies (continued)

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 period 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.

### Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### 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.

### 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### Share-based payments

Equity-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.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using 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.

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.

## 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.

## 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. 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.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred 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.

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 PKS Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

## 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 2019. 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.

### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 *Leases* and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an



## Note 1. Significant accounting policies (continued)

accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The standard will affect primarily the accounting for the consolidated entity's operating leases. However, management has not yet determined to what extent these commitments will result in the recognition of an asset and liability for future payments and how this will affect the consolidated entity's profit and classification of cash flows.

Some commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB16.

## 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.

### 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 the 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.

### 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.

### 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

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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.

### **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.

### **Capitalisation of intangibles**

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognized as intangible assets in the statement of financial position when they meet the criteria for capitalization. Development costs may be capitalized if the company can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to the consolidated entity and the acquisition cost can be reliably measured. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met.

However, because it may be difficult to distinguish between research and development projects, this judgment can be affected by individual interpretations.



## Note 3. Revenue

	Consolidated The period from 26 June 2018 to 30 June 2019 \$
<i>Revenue from contracts with customers</i>	
Initial licence fees	7,113
Annual licence fees	58,724
Usage fees	218,693
Training, development and consulting fees	9,903
	<b>294,433</b>
<i>Other revenue</i>	
Interest received	1,505
<b>Revenue</b>	<b>295,938</b>

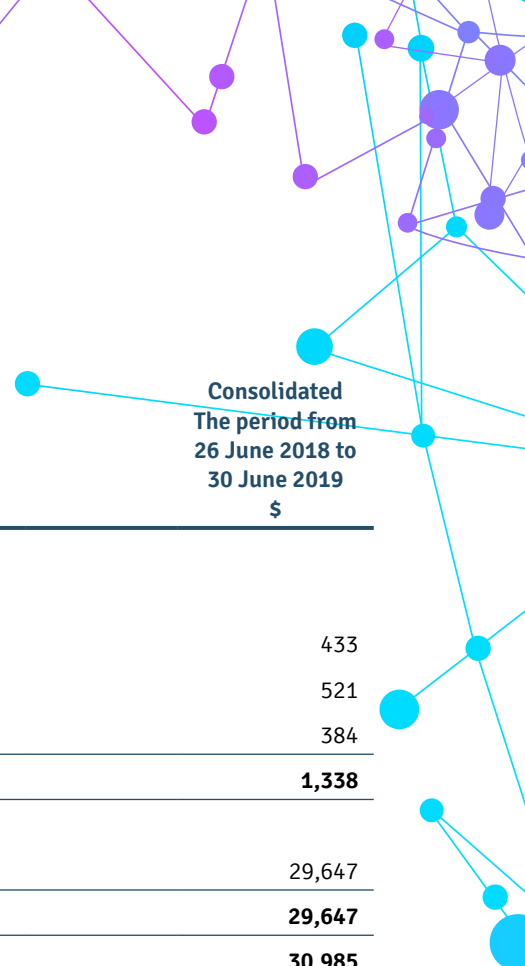
### Disaggregation of revenue

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

	Initial licence fees \$	Annual licence fees \$	Usage fees \$	Training, development and consulting fees \$	Total \$
<b>Consolidated – The period from 26 June 2018 to 30 June 2019</b>					
<i>Sales channels</i>					
Direct	–	32,209	191,668	–	223,877
Global partners	7,113	26,515	27,025	9,903	70,556
	<b>7,113</b>	<b>58,724</b>	<b>218,693</b>	<b>9,903</b>	<b>294,433</b>
<i>Geographical regions</i>					
Australia	–	16,098	94,726	–	110,824
Europe	7,113	30,067	14,047	403	51,630
Rest of the world	–	12,559	109,920	9,500	131,979
	<b>7,113</b>	<b>58,724</b>	<b>218,693</b>	<b>9,903</b>	<b>294,433</b>
<i>Timing of revenue recognition</i>					
Revenue recognised at a point in time	7,113	–	–	–	7,113
Services transferred over time	–	58,724	218,693	9,903	287,320
	<b>7,113</b>	<b>58,724</b>	<b>218,693</b>	<b>9,903</b>	<b>294,433</b>



## Note 4. Expenses



Consolidated  
The period from  
26 June 2018 to  
30 June 2019  
\$

Loss before income tax includes the following specific expenses:

*Depreciation*

Leasehold improvements	433
Plant and equipment	521
Fixtures and fittings	384

<b>Total depreciation</b>	<b>1,338</b>
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*Amortisation*

Capitalised development costs	29,647
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<b>Total amortisation</b>	<b>29,647</b>
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<b>Total depreciation and amortisation</b>	<b>30,985</b>
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*Rental expense relating to operating leases*

Minimum lease payments	10,129
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*Superannuation expense*

Defined contribution superannuation expense	25,595
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## Note 5. Income tax

	<b>Consolidated The period from 26 June 2018 to 30 June 2019 \$</b>
<hr/>	
<i>Income tax expense</i>	
Current tax	102,071
Deferred tax – origination and reversal of temporary differences	(12,412)
Aggregate income tax expense	89,659
<hr/>	
Deferred tax included in income tax expense comprises:	
Increase in deferred tax assets	(32,108)
Increase in deferred tax liabilities	19,696
Deferred tax – origination and reversal of temporary differences	(12,412)
<hr/>	
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>	
Loss before income tax expense	(842,701)
Tax at the statutory tax rate of 27.5%	(231,743)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Entertainment expenses	1,013
Share-based payments	42,665
R&D expenses	19,649
	(168,416)
Current period tax losses not recognised	168,416
Other items	89,659
Income tax expense	89,659
<hr/>	
	<b>Consolidated The period from 26 June 2018 to 30 June 2019 \$</b>
<hr/>	
<i>Amounts credited directly to equity</i>	
Deferred tax assets	(261,460)
<hr/>	

Consolidated  
30 June 2019  
\$

*Deferred tax asset*

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Employee benefits	47,254
Accrued expenses	30,374
Contract liabilities	52,820
Software development	754,325
Patents and trademarks	10,077
	894,850

Amounts recognised in equity:

Transaction costs on share issue	218,795
Reserve for share based payments	42,665
	261,460

**Deferred tax asset** **1,156,310**

Movements:

Opening balance	-
Credited to profit or loss	32,108
Credited to equity	261,460
Additions through business combinations (note 24)	862,742

**Closing balance** **1,156,310**

Consolidated  
30 June 2019  
\$

*Deferred tax liability*

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Prepayments	18,581
Acquired software	185,069
Sundry items	1,203
<b>Deferred tax liability</b>	<b>204,853</b>

Movements:

Opening balance	-
Charged to profit or loss	19,696
Additions through business combinations (note 24)	185,157

**Closing balance** **204,853**

**Note 5. Income tax (continued)**

	Consolidated 30 June 2019 \$
<b>Net deferred tax</b>	<b>951,457</b>
<hr/>	
	Consolidated 30 June 2019 \$
<i>Current tax assets</i>	
Current tax assets	56,940

**Note 6. Current assets – trade and other receivables**

	Consolidated 30 June 2019 \$
Trade receivables	788,902
Other receivables	236,265
Deposits and prepayments	109,766
	<b>1,134,933</b>

**Allowance for expected credit losses**

The consolidated entity has recognised \$nil loss in profit or loss in respect of the expected credit losses for the period ended 30 June 2019 as there is no recoverability issue historically.

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

	Consolidated 30 June 2019 \$
Leasehold improvements – at cost	53,359
Less: Accumulated depreciation	(27,792)
	<b>25,567</b>
Fixtures and fittings – at cost	102,931
Less: Accumulated depreciation	(69,348)
	<b>33,583</b>
Property and equipment – at cost	146,291
Less: Accumulated depreciation	(137,070)
	<b>9,221</b>
	<b>68,371</b>

## Reconciliations

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

<b>Consolidated</b>	<b>Leasehold improvements \$</b>	<b>Fixtures and fittings \$</b>	<b>Property and equipment \$</b>	<b>Total \$</b>
Balance at 26 June 2018	-	-	-	-
Additions through business combinations (note 24)	26,000	33,967	9,742	69,709
Depreciation expense	(433)	(384)	(521)	(1,338)
<b>Balance at 30 June 2019</b>	<b>25,567</b>	<b>33,583</b>	<b>9,221</b>	<b>68,371</b>

## Note 8. Non-current assets – intangibles

	<b>Consolidated 30 June 2019 \$</b>
Goodwill – at cost	13,434,614
Capitalised development costs – at cost	1,491,848
Less: Accumulated amortisation	(100,925)
	<b>1,390,923</b>
Intellectual property – at cost	2,258,966
Less: Accumulated amortisation	(2,258,966)
	-
Patents and trademarks – at cost	23,981
Less: Accumulated amortisation	(23,981)
	-
	<b>14,825,537</b>

## Reconciliations

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

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Capitalised development costs \$</b>	<b>Total \$</b>
Balance at 26 June 2018	-	-	-
Additions	-	119,259	119,259
Additions through business combinations (note 24)	13,434,614	1,301,311	14,735,925
Amortisation expense	-	(29,647)	(29,647)
<b>Balance at 30 June 2019</b>	<b>13,434,614</b>	<b>1,390,923</b>	<b>14,825,537</b>



## Note 9. Current liabilities – trade and other payables

	Consolidated 30 June 2019 \$
Trade payables	119,634
Accrued expenses	110,561
Other payables	92,043
	<b>322,238</b>

Refer to note 17 for further information on financial instruments.

## Note 10. Current liabilities – contract liabilities

	Consolidated 30 June 2019 \$
Contract liabilities	506,585
<i>Reconciliation</i>	
Reconciliation of the written down values at the beginning and end of the current financial period are set out below:	
Opening balance	-
Payments received in advance	144,160
Additions through business combinations (note 24)	473,847
Transfer to revenue – performance obligations satisfied in previous periods	(111,422)
	<b>506,585</b>

### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$506,584 as at 30 June 2019 and is expected to be recognised as revenue in future periods as follows:

	Consolidated 30 June 2019 \$
Within 6 months	427,957
6 to 12 months	78,628
	<b>506,585</b>



## Note 11. Current liabilities – employee benefits

	Consolidated 30 June 2019 \$
Annual leave	72,251
Long service leave	74,020
	<b>146,271</b>

### Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. 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.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 30 June 2019 \$
	74,020

## Note 12. Non-current liabilities – employee benefits

	Consolidated 30 June 2019 \$
Long service leave	25,563

## Note 13. Equity – issued capital

	Consolidated 30 June 2019 Shares	Consolidated 30 June 2019 \$
Ordinary shares – fully paid	121,141,000	20,907,473



## Note 13. Equity – issued capital (continued)

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	26 June 2018	–		–
Issue of shares	11 November 2018	16,400,000	\$0.05	770,000
Share issue transaction costs, net of tax	11 November 2018	–	\$0.00	(21,655)
Issue of shares	3 June 2019	104,741,000	\$0.20	20,948,200
Share issue transaction costs, net of tax	3 June 2019	–	\$0.00	(789,072)
<b>Balance</b>	<b>30 June 2019</b>	<b>121,141,000</b>		<b>20,907,473</b>

### 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.

### 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.

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 not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

## Note 14. Equity – reserves

Consolidated  
30 June 2019  
\$

Share based payments reserve	197,810
------------------------------	---------

### Share based payments reserve

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

### Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Share based payments reserve \$	Total \$
Balance at 26 June 2018	-	-
Share based payments to directors and employees	30,956	30,956
Share based payments to other parties	124,189	124,189
Deferred tax	42,665	42,665
<b>Balance at 30 June 2019</b>	<b>197,810</b>	<b>197,810</b>

## Note 15. Equity – accumulated losses

Consolidated  
30 June 2019  
\$

Retained profits at the beginning of the financial period	-
Loss after income tax expense for the period	(932,360)
<b>Accumulated losses at the end of the financial period</b>	<b>(932,360)</b>

## Note 16. Equity – dividends

There were no dividends paid, recommended or declared during the current financial period.



## Note 17. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

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.

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

	Average exchange rates	Reporting date exchange rates
	The period from 26 June 2018 to 30 June 2019	30 June 2019
<b>Australian dollars</b>		
US dollars	0.7159	0.7013
Euro	0.6271	0.6171

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

	Assets 30 June 2019 \$	Liabilities 30 June 2019 \$
<b>Consolidated</b>		
US dollars	516,974	-
Euro	156,019	-
	<b>672,993</b>	<b>-</b>

A sensitivity analysis of the movement in exchange rate (based on the closing balance of the asset) is presented below:

		AUD strengthened effect on profit before tax			AUD weakened effect on profit before tax	
	% change	\$	Effect on quality \$	% change	\$	Effect on quality \$
<b>Consolidated – 30 June 2019</b>						
US dollars	10%	(51,697)	(51,697)	10%	51,697	51,697
Euro	10%	(15,608)	(15,608)	10%	15,608	15,608
		(67,305)	(67,305)		67,305	67,305

### Price risk

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

### 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.

### Liquidity risk

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

### 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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated – 30 June 2019</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	332,238	-	-	-	332,238
<b>Total non-derivatives</b>		<b>332,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>332,238</b>

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 18. 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:

	<b>Consolidated The period from 26 June 2018 to 30 June 2019 \$</b>
Short-term employee benefits	279,148
Post-employment benefits	7,000
Long-term benefits	11
Share-based payments	26,668
	<b>312,827</b>

## Note 19. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by HLB Mann Judd Assurance (NSW) Pty Ltd, the auditor of the company:

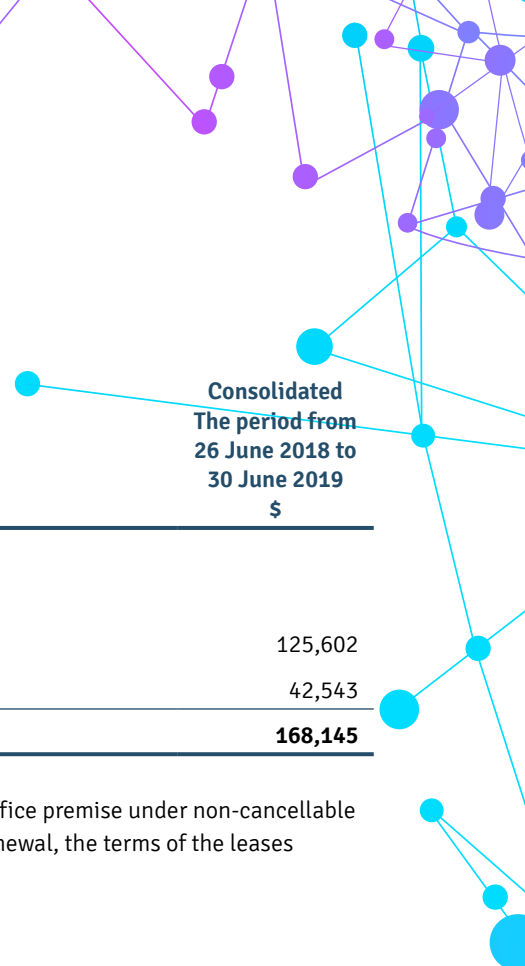
	<b>Consolidated The period from 26 June 2018 to 30 June 2019 \$</b>
<i>Audit services – HLB Mann Judd Assurance (NSW) Pty Ltd</i>	
Audit or review of the financial statements	59,000
<i>Other services – HLB Mann Judd</i>	
Preparation of the tax return	18,000
Due diligence	51,000
	69,000
	<b>128,000</b>

## Note 20. Contingent liabilities

There were no contingent liabilities relating to the consolidated entity at report date.



## Note 21. Commitments



Consolidated  
The period from  
26 June 2018 to  
30 June 2019  
\$

### *Lease commitments – operating*

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	125,602
One to five years	42,543
	<b>168,145</b>

Operating lease commitments includes contracted amounts for the consolidated entity's office premise under non-cancellable operating leases expiring within 2 years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

## Note 22. Related party transactions

### Parent entity

PKS Holdings Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 25.

### Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

### Transactions with related parties

There were no transactions with related parties during the financial period.

### Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

### Loans to/from related parties

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



## Note 23. Parent entity information

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

### Statement of profit or loss and other comprehensive income

	Parent The period from 26 June 2018 to 30 June 2019 \$
Loss after income tax	(906,502)
Total comprehensive loss	(906,502)

	Parent 30 June 2019 \$
Total current assets	322,820
Total assets	20,296,379
Total current liabilities	97,598
Total liabilities	97,598
Equity	
Issued capital	20,907,473
Share based payments reserve	197,810
Accumulated losses	(906,502)
<b>Total equity</b>	<b>20,198,781</b>

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

### 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.

## Note 24. Business combinations

On 31 May 2019, PKS Holdings Limited (formerly known as Qpro Holdings Limited) acquired 100% of the ordinary shares of DPP Holdings Limited for the total consideration transferred of \$15,500,000. DPP Holdings Limited owns 100% of the issued capital of Pacific Knowledge Systems Pty Ltd. Pacific Knowledge Systems Pty Ltd is a healthcare technology business that provides a proprietary subscription based Clinical Decision Support system (CDS) called "RippleDown" which automates the human decision-making process in healthcare organisations. The acquired business contributed revenues of \$294,453 and loss after tax of \$7,163 to the consolidated entity for the period from 1 June 2019 to 30 June 2019. The values identified in relation to the acquisition of DPP Holdings Limited are final as at 30 June 2019.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	50,586
Trade and other receivables	611,165
Current tax assets	159,011
Property, plant and equipment	69,709
Software	1,301,311
Deferred tax	677,584
Trade and other payables	(170,684)
Employee benefits	(159,449)
Contract liabilities	(473,847)
Net assets acquired	2,065,386
Goodwill	13,434,614
Acquisition-date fair value of the total consideration transferred	15,500,000
Representing:	
Cash paid or payable to vendor	15,500,000
Acquisition costs expensed to profit or loss	307,605
	<b>Consolidated The period from 26 June 2018 to 30 June 2019 \$</b>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	15,500,000
Less: cash and cash equivalents	(50,586)
<b>Net cash used</b>	<b>15,449,414</b>



## Note 25. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2019 %
DPP Holdings Pty Ltd	Australia	100.00%
Pacific Knowledge Systems Pty Ltd	Australia	100.00%

## Note 26. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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.

## Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated The period from 26 June 2018 to 30 June 2019 \$
Loss after income tax expense for the period	(932,360)
Adjustments for:	
Depreciation and amortisation	30,985
Share-based payments	155,145
Change in operating assets and liabilities:	
Increase in trade and other receivables	(523,768)
Decrease in current tax assets	102,071
Increase in trade and other payables	116,554
Decrease in deferred tax liabilities	(12,412)
Increase in employee benefits	12,385
Increase in contract liabilities	32,737
<b>Net cash used in operating activities</b>	<b>(1,018,663)</b>

## Note 28. Share-based payments

On 1 October 2018, Qpro Holdings Limited issued 70,000,000 unlisted share options, with an exercise price of 10 cents and an expiration date of 1 October 2023. Qpro Holdings Limited changed its name to PKS Holdings Limited upon an ASX listing on 3 June 2019, at which time there was a 10:1 consolidation of the shares such that there are 7,000,000 unlisted options outstanding as of the date of this report. Post consolidation, the exercise price will remain at 10 cents.

On 30 May 2019, a Long Term Incentive 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 or performance rights over ordinary shares in the company to certain key management personnel and employees of the consolidated entity. The options or performance rights 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 during the period:

### 30 June 2019

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
01/10/2018	30/09/2023	\$0.10	-	7,000,000	-	-	7,000,000
30/05/2019	29/05/2024	\$0.20	-	4,150,000	-	-	4,150,000
			-	<b>11,150,000</b>	-	-	<b>11,150,000</b>

The weighted average share price during the financial period was \$0.19.

The weighted average remaining contractual life of options outstanding at the end of the financial period was 4.50 years.

Set out below are summaries of performance rights granted during the period:

### 30 June 2019

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
30/05/2019	29/05/2024	\$0.00	-	5,200,000	-	-	5,200,000
			-	<b>5,200,000</b>	-	-	<b>5,200,000</b>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial period was 4.92 years.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/10/2018	30/09/2023	\$0.05	\$0.10	80.00%	-	2.28%	\$2.372
30/05/2019	29/05/2024	\$0.20	\$0.20	80.00%	-	1.22%	\$5.763

**Note 28. Share-based payments (continued)**

For the performance rights granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/05/2019	29/05/2024	\$0.20	\$0.00	80.00%	-	1.22%	\$0.090

**Note 29. Operating segments**

The consolidated entity develops and distributes software and technology solutions to the healthcare industry.

Management has determined that the consolidated entity has no separate operating segments with discrete financial information. The Board of Directors are the company's CODM. The Board of Directors review internal management reports that are consistent with the information presented in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information presented in the financial statements is what is used by the Board of Directors to make strategic decisions.

**Note 30. Earnings per share**

	Consolidated The period from 26 June 2018 to 30 June 2019 \$
Loss after income tax attributable to the owners of PKS Holdings Limited	(932,360)
	<b>Cents</b>
Basic earnings per share	(5.05)
Diluted earnings per share	(5.05)
	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	18,459,036
Weighted average number of ordinary shares used in calculating diluted earnings per share	18,459,036





# 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 2019 and of its performance for the financial period 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.

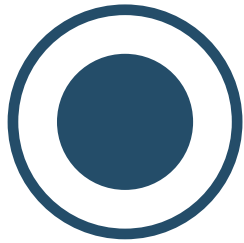
Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mike Hill  
Chairman

30 August 2019

For personal use only



# Independent Auditor's Report



To the Members of PKS Holdings Limited

## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of PKS Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 28 June 2018 to 30 June 2019, 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:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the period 28 June 2018 to 30 June 2019; and
- (b) 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 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 Company, 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 period. 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.

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**HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215**

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Valuation and Classification of Intangibles (Note 8)</b></p> <p>Following the acquisition of DPP Holdings Limited on 31 May 2019 the directors were required to calculate the carrying value of goodwill by reference to the valuation of identifiable tangible and intangible assets acquired.</p> <p>Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets. This assessment has been made on a provisional basis as noted in the financial statements.</p> <p>It is due to the size of the acquisition and the estimation process involved in accounting for it that this is a key area of audit focus.</p>	<p>Our audit procedures to assess the allocation of the acquisition purchase price and acquisition accounting included:</p> <ul style="list-style-type: none"> <li>• reading the sale and purchase agreement to understand the key terms and conditions;</li> <li>• reviewing the fair value of consideration paid;</li> <li>• reviewing management’s provisional assessment of the identified assets and liabilities (including separately identifiable intangible assets) acquired including the fair value attributable to these assets and liabilities;</li> <li>• reviewing management’s discounts rates;</li> <li>• reviewing the provisional calculation of goodwill on acquisition;</li> <li>• reviewing the useful lives of intangible assets;</li> <li>• reviewing the Group’s disclosures with reference to Australian Accounting Standards.</li> </ul>

**Information Other than the Financial Report and Auditor’s Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the period ended 30 June 2019, 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, 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 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 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 this 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 period 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

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the period ended 30 June 2019.

In our opinion, the Remuneration Report of PKS Holdings Limited for the period ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company 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 conducted in accordance with Australian Auditing Standards.

HLB Mann Judd Assurance (NSW) Pty Ltd  
Chartered Accountants

Sydney  
30 August 2019

S P James  
Director



# Shareholder Information

The shareholder information set out below was applicable as at 13 August 2019.

## Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	4	-
1,001 to 5,000	110	-
5,001 to 10,000	191	-
10,001 to 100,000	644	3
100,001 and over	175	11
	<b>1,124</b>	<b>14</b>
<b>Holding less than a marketable parcel</b>	-	-

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## 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
National Nominees Limited	11,480,511	9.48
Bombora Investment Management	8,700,000	7.18
HSBC Custody Nominees	8,581,317	7.08
Mirrabooka Investments Limited	5,500,000	4.54
Mr Christopher Bell	2,499,000	2.06
Shorebrook Pty Ltd	2,083,000	1.72
UBS Nominees Pty Ltd	1,816,231	1.50
First Trustee Company (NZ)	1,500,000	1.24
Jaspar Investments Pty Limited	1,300,000	1.07
Caladan Capital Pty Ltd	1,250,000	1.03
Golden Words Pty Ltd	1,000,000	0.83
Haydalex Pty Ltd Atf Haydalex	1,000,000	0.83
RJWH Holdings Pty Limited	1,000,000	0.83
Merrill Lynch (Australia)	905,701	0.75
Lynter Pty Ltd	750,000	0.62
Marshall Investments Pty Ltd	750,000	0.62
Malolo Holdings Pty Ltd	750,000	0.62
Jamplat Pty Ltd	650,000	0.54
GBBM Pty Limited	625,000	0.52
Mr Anthony Shane Kittel & Mrs Michele Therese Kittel	625,000	0.52
	<b>52,765,760</b>	<b>43.58</b>

### Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	16,350,000	14



## Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	11,480,511	9.48
Bombora Investment Management	8,700,000	7.18
HSBC Custody Nominees	8,581,317	7.08

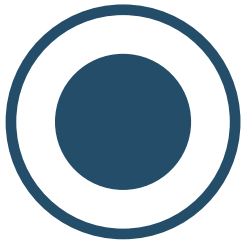
## Voting rights

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

Michael Hill  
Ronald Van der Pluijm (appointed 31 May 2019)  
Andrew Gray (appointed 31 May 2019)  
Neil Broekhuizen (appointed 31 May 2019)  
Paul Williams (appointed 31 May 2019)  
Joshua May (resigned on 6 June 2019)  
Gregg Taylor (resigned on 6 June 2019)  
David Willington (resigned on 6 June 2019)

## Company secretary

Maggie Niewidok

## Notice of annual general meeting

The details of the annual general meeting of PKS Holdings Limited are:

10am on Wednesday 20 November 2019  
Level 5  
126 Phillip Street  
Sydney, NSW 2000

## Registered office

Level 5  
126 Phillip Street  
Sydney, NSW 2000

## Principal place of business

Level 5  
126 Phillip Street  
Sydney, NSW 2000

## Share register

Automic Pty Ltd  
Level 5  
126 Phillip Street  
Sydney, NSW 2000

## Auditor

HLB Mann Judd Assurance (NSW) Pty Ltd

## Solicitors

Automic Pty Ltd

## Bankers

Commonwealth Bank of Australia

## Stock exchange listing

PKS Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: PKS)

## Website

[www.pks.com.au](http://www.pks.com.au)

## Corporate Governance Statement

[www.pks.com.au/corporate-governance](http://www.pks.com.au/corporate-governance)

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