COSOL

# Enabling Digital Transformation

Annual Report 2020

# COSOL Ltd FY20 Financial Highlights (Proforma)

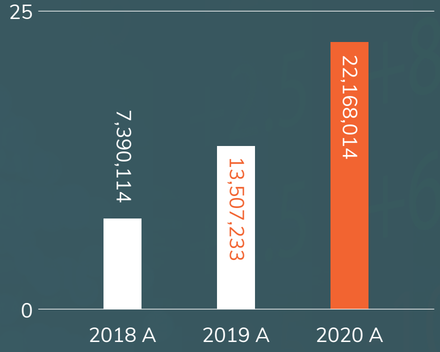
**Group Revenue**
**64%**
up YoY

**Group EBIT**
**42%**
up YoY

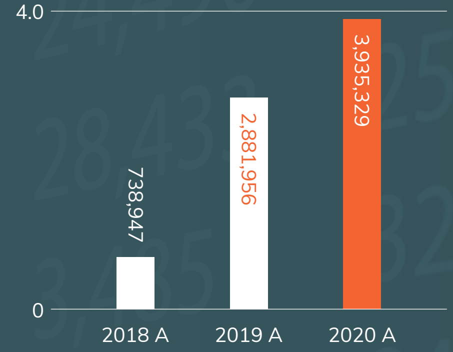
**Group NPBT**
**37%**
up YoY

**Group NPAT**
**45%**
up YoY

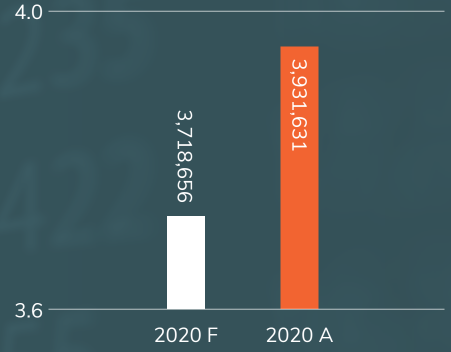
**Group Revenue ($M)**



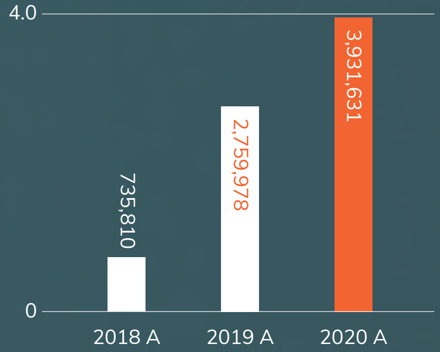

**Group Net Profit Before Tax ($M)**



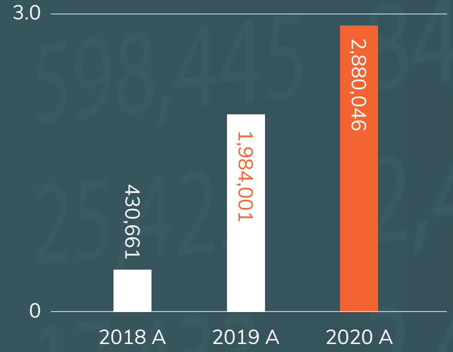

**Group EBIT Actual vs Prospectus Forecast ($M)**



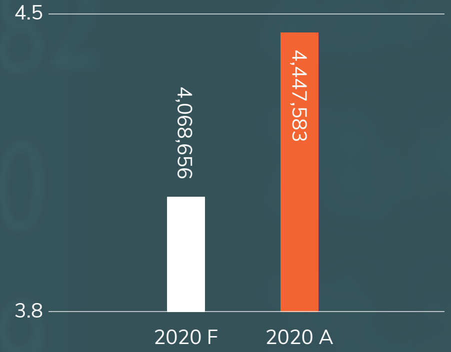

**Group Earnings Before Interest & Tax ($M)**




**Group Net Profit After Tax ($M)**




**Cosol Aust EBIT Actual vs Prospectus Forecast ($M)**




**Contents**

# Chairman's Report

> **I am delighted that we have shown flexibility and agility to rapidly adapt to new ways of working while continuing to deliver on our promise to clients, business partners and our shareholders.**

Dear Shareholder,

On behalf of the Board of Directors I am pleased to present to you the inaugural Annual Report for COSOL Limited.

COSOL Limited was formed in August 2019 with the intent of creating a listed digital product, services and solutions company to take advantage of the expanding Enterprise Resource Planning/Enterprise Asset Management sector. It is the goal of the Board and management that COSOL will provide the platform for domestic and international growth to become a leader in Enterprise Asset Management solutions by delivering innovative digital solutions, products and services to companies globally.

The 2020 financial year has been a challenging year for society and businesses all over the world. The COVID-19 pandemic has forced everyone to adapt to a new operating environment and ensure they initiate measures to protect staff, customer relationships, whilst also maintaining a focus on strategies to deliver shareholder value and growth into the future.

Through the excellent leadership of our Board and the COSOL Executive Management team, greatly assisted by Executive Consultant Ben Buckley; together with the efforts and enthusiasm of the staff of COSOL Australia Pty Ltd (the operating company of COSOL Limited), ably led by CEO Scott McGowan, I am delighted that we have shown flexibility and agility to rapidly adapt to new ways of working while continuing to deliver on our promise to clients, business partners and our shareholders.

### Major highlights for last 12 months:

- **Successful IPO:** COSOL Limited successfully listed on the Australian Securities Exchange after raising $12million. The purpose of the capital raising was to fund a major acquisition and provide the necessary working capital for ongoing operations and opportunities. Such was the success of the IPO that the placement was oversubscribed.
- **Establishment of an experienced Board:** COSOL Limited has appointed a Board of Directors that all have industry specific knowledge and expertise, decades of experience in managing publicly listed companies and a complementary set of skills across commercial, legal, accounting, mergers and acquisitions and strategic planning. This Board has a proven track-record and reputation in growing businesses and returning value to shareholders and stakeholders alike.
- **Acquisition of COSOL Australia:** COSOL Limited completed the successful acquisition of COSOL Australia on 16 January 2020. Established in 2000, COSOL Australia is a profitable Australian based solutions and digital transformation IT business with a focus on asset intensive industries including energy, utilities, mining, defence and public infrastructure, both in Australia and internationally.

  COSOL Australia uses its proprietary software and its service and project delivery capabilities in respect to Enterprise Asset Management software and systems to optimise the utilisation and cost efficiencies of its clients' assets.
- **Exceeded prospectus forecasts:** Despite the challenges presented by the COVID-19 pandemic, COSOL Limited has exceeded the financial performance forecast in its IPO prospectus and our results are also slightly above the profit guidance update we recently provided to the ASX.

The financial performance of COSOL Limited in the successful first 6 months of business and trading as a listed company, has seen COSOL's share price recently trading at a 365% premium to its listing price. This was due to a very strong 12-month operating period for our principal operating business, COSOL Australia. The strong financial results of COSOL Australia, in combination with our responsible financial controls, disciplined management of expenditure and a conservative and well-funded balance sheet, has produced the following highlights.

# Chairman's Report continued

> **Our delivery of innovative digital solutions to clients is only possible due to the skills and expertise of our people, and I unreservedly thank them for their commitment and loyalty during these extraordinary times.**



### Financial highlights for the year include:

- **Revenue Growth:** COSOL Australia's full year revenue increased by over $8.7 million or 64% on the previous full year.
- **Earnings Before Interest & Tax (EBIT) Growth:** COSOL Australia Pty Ltd's full year EBIT increased to $4.45 million up 61% YOY.
- **Net Profit After Tax:** The Group recorded net profit after tax of $1.51 million for the period ended 30 June 2020.
- **Strong Cash Flows:** The Group recorded net post tax operating cash flow of $2.92 million for the period ended 30 June 2020. Group cash was $6.8 million at 30 June 2020.
- **Debt Position:** Net Debt, including deferred consideration amounted to $0.12 million at 30 June 2020.
- **Research & Development Expenditure:** During the year the group spent $1.58 million on the further development of its proprietary software products (principally RPConnect and BPConnect) and this expenditure was expensed to the Profit and Loss account during the period.
- **New Bank Finance Facility:** Since year end the group has put in place a new finance facility of up to $6.5 million on favorable terms, so as allow for future strategic expansion.

### COSOL Australia Operating Highlights

- **Major Client Wins:** New client contracts secured with Australian Defence Force and CleanCo (a company focused on providing clean energy options to Queensland households), an extension of sustainment services with Energy Queensland, an upgrade for Queensland Urban Utilities , and a new data management/cleansing and migrations services project with Anglo American.
- **Growth of digital platform RPConnect:** RPConnect has continued to position COSOL in sole sourced transformation engagements including CleanCo, Department of Defence and Anglo American.
- Our ABB Practice, the largest in the APAC region, continues to position COSOL in sole sourced engagements due to our proprietary skillset including Department of Defence and Queensland Urban Utilities.
- **Increased Support and IP Based Revenue:** COSOL has increased its support and IP based (product and product services) revenue contribution to over 55% of total revenue
- **Greater development in RPConnect platform:** The RPConnect platform has been enhanced to incorporate further functionality accelerating SAP ECC6 to SAP S/4 transformations. RPConnect's data management functionality was enhanced and deployed into Anglo American to provide a platform to drive data cleaning through data quality KPI's.
- **Opening of the Melbourne office:** Expanded the reach of COSOL within Australia with the opening of an office in Melbourne to service key clients, win new accounts and penetrate markets in the Southern and Western regions of Australia.

### The Year Ahead

While uncertainty and caution may persist in markets as the COVID-19 pandemic continues, we remain optimistic about the opportunities to continue to grow the business in the year ahead.

We are confident that COSOL Australia will continue to grow organically through greater penetration of the market with its industry-leading proprietary software RPConnect and BPConnect, through enlarged representation in new regions such as Victoria, Canberra and Western Australia, as well as an improved ability to quickly and decisively develop and implement digital Enterprise Asset Management solutions to its clients.

We will continue to invest in our proprietary digital IP, our data cleansing and preparation functionality, and business process automation capabilities to deliver efficiencies and business outcomes for our clients. Our unique EAM capability is underpinned by key partnership with industry leading software products including Hitatchi-ABB, IFS and SAP which will continue to provide us with sole sourced / tender exempt opportunities leading to a premium for COSOL services and higher than average profit margins.

While continuing to focus on organic growth, COSOL Limited will remain steadfast in its search for the right strategic opportunities to acquire complementary and synergistic companies to deliver COSOL an expanded suite of software and services, intellectual property, geographical representation, access to new clients and additional core capabilities.

By the very nature of their business, our clients are reliant on the exploitation of their assets to satisfy the provision of critical services such as water, defence and public infrastructure, and drive Australia's economy with their mining and energy production. During these challenging times they rely evermore on the effective and efficient management of their assets to deliver services and economic activity to the Australian public, and they know that they can rely on COSOL to help optimise the efficient utilisation of their assets. COSOL is proud to have earned this trust, and I would like to thank them for their continued support.

Our delivery of innovative digital solutions to clients is only possible due to the skills and expertise of our people, and I unreservedly thank them for their commitment and loyalty during these extraordinary times.

Finally, I would like to thank our shareholders who have supported us during this last financial year. I look forward to providing further updates about COSOL's successes in due course, including at our Annual General Meeting to be held in November.

Best regards

**Geoff Lewis** Chairman

# Industry Overview

### What is Enterprise Resource Management?

Enterprise Asset Management (EAM) is the process of managing the lifecycle of physical assets to:

- Maximise their use,
- Maximise their economic return and viability,
- Improve the quality and efficiency of business operations, and
- Safeguard health, safety and the environment.

By helping to ensure that high-value assets operate, and are maintained, in the way they are designed to, EAM can both minimise risks and costs, while enhancing and optimising business value.

# Industry Overview continued

Global EAM market is predicted to reach

**$25.9B**

USD by 2030

## The market

The global EAM market stood at USD 5.5 billion in 2019, and is expected to grow at a compound annual growth rate CAGR of 17% during the period 2020 – 2030, with its market size predicted to reach USD 25.9 billion. Key drivers underpinning the predicted growth include:

- The strong focus on the best utilisation of assets,
- Growing need to reduce maintenance and procurement expenses,
- Digitalisation in industries resulting in increased market competitiveness,
- The increasing preference globally for cloud-based/Software as a Service (SaaS) solutions, and
- Growing internet penetration through the Internet of Things (IOT)

Historically the North American EAM market has been dominant. Major factors for this have been regulatory requirements, a strong presence of EAM vendors, and the investment by private & public organisations in the better management and exploitation of their asset base. Although a mature market, next generation technologies such as predictive maintenance, real time data collection and exploitation, machine learning, and IOT have contributed strongly to the growth in this sector.

However, the Asia-Pacific (APAC) region is forecast to be the fastest growing geographic market. The key drivers for this growth, particularly in an Australian context, are the fact that large business operations and utilities are asset intensive and that organisations are adopting, and continuing to refine their use of, EAM solutions to augment their competitiveness, efficiency and expansion. Government initiatives and associated funding, particularly in the post-COVID 19 economic climate, are likely to facilitate major social and physical infrastructure expansion for existing players and new entrants.

It is worth noting that the Small and Medium Enterprise (SME) category is expected to contribute significantly to the growth in EAM adoption. This growth will be underpinned by leveraging the developing technologies, and the adoption of cloud based/SaaS operating models, in order to compete with/disrupt larger players while establishing themselves in the broader industry marketplace.

## Trends

In order to support this convergence between business and assets, there is an increasing move to exploit the value in the data held within EAM systems. Increasingly, software and service vendors are positioning to provide new sources of data to the EAM via IOT. This is attributable to the growing deployment of IOT in mobile devices and sensors, as well as the exploitation of the data through artificial intelligence (AI) applications. For the industrial sector alone, it is forecast by leading market research organisation MarketWatch that the global IOT market will exceed USD 176 billion by 2022.

This drive to maximise the data assets that reside within an organisation's EAM environment has seen significant investment being made by key vendors such as IBM, Hitachi/ABB, SAP and IFS – all of which have been acknowledged as being in the forefront of EAM solution development by respected research organisation Gartner Group. The level of investment made includes:

- The acquisition of intellectual property (IP) through M&A transactions,
- Research spending on data and analytics (IBM spends one-third of their research budget of this), and
- The major redevelopment of existing EAM solutions to create new generation, data intensive platforms:
  - SAP with S/4 Hana,
  - IFS Applications 10 – released in May 2018,
  - Ellipse Digital Enterprise currently being developed by Hitachi/ABB.

At the core of these trends is the ability to understand the underlying data, its impact on the business and an ability to automate the creation and maintenance of this broad base of EAM related data. Given that this data will be coming from, and going to, a variety of different systems, having a proven capability, and the IP, to support this complex requirement offers a service provider with a competitive advantage.

## Segmentation of the EAM market

The market is categorised into software, service and solutions – with the line between services and solutions increasingly being blurred by specialist companies, such as COSOL. Increasingly, the ability to understand the underlying data attributes that contribute to, and the impact they have on, business outcomes is becoming a key service differentiator, with clients opting to sole select such organisations without undertaking to a competitive tender scenario.

While the software category is expected to lead throughout the forecast period, the combined service and solutions categories are the areas predicted to experience the most increase in growth .

Increasingly the predicted growth in services is forecast to be driven by the demand of both large enterprises and SMEs in moving away from 'on premise' system implementations/operations to cloud/SaaS offerings.

This growth in services is further compounded by new releases of core software (such as SAP's Enterprise Resource Planning System S/4 Hana, IFS Application 10, and Ellipse Digital Enterprise). In essence such changes in software force enterprises to review their EAM operations and either upgrade their existing platform or migrate to a new EAM platform. In all these instances, seamless data management, integration and migration is key.

The strength, reputation, proven IP, and capability of the professional services provider to successfully mitigate an enterprise's risk to maintaining business operations during these exercises places COSOL in a strong position to exploit this projected growth in services & solutions.

# Business Overview

### What is COSOL's core business offering?

COSOL's pedigree in the provision of business-critical services, focused on optimising business processes and reducing business expenditure for its clients, has seen COSOL recognised globally as a trusted partner for clients and EAM providers alike. By providing business solutions, including business process and strategic reviews, implementation of Enterprise Resource Planning (ERP)/EAM solutions, data migration and ongoing support services to clients, COSOL offers its clients a true 'one stop shop' for the execution, facilitation and ongoing development of IP based digital solutions within the EAM sphere.

# Business Overview continued

**500**

**SAP clients in Australia alone will potentially need to upgrade their systems**

## How does COSOL Australia's Business Generate Revenue?

COSOL Australia is focused on establishing long-term revenue-generative relationships with clients as a trusted advisor to support new versions of the core software which underpins their EAM systems and to deliver business services which drive optimisation and efficiencies.

COSOL Australia's revenue-generation model is predicated on:

- targeting diversified pre-determined industry sectors; and
- offering digital solutions, operational efficiency and product leadership and innovation to its existing and potential new clients.

Specifically, COSOL Australia's revenue is primarily generated from three key service streams, being:

- EAM/ERP implementation and support services;
- data migration, and
- legacy data services.

Underpinning these service streams is COSOL's ability to deploy both third-party and its own proprietary IP in providing these services which provides clients with cost effective solutions and affords COSOL the ability to drive gross margin while maintaining what is effectively a static/marginally increased overhead position. The use of, and continued exploitation of, proprietary IP (such as RPConnect) provides a material differentiator for COSOL from pure service only competitors and peers.

Historically, revenue has been generated through services provided to clients in the following industry sectors, which continue to be areas of focus for the business moving forward, given their resilience during times of economic stress:

- Mining and minerals processing;
- Energy and utilities;
- Public infrastructure and transport;
- Defence;
- Health services; and
- Oil, gas and petrochemical.

## How does COSOL Australia market its business?

COSOL Australia undertakes and markets its sales initiatives in three ways:

1. Directly in its own right,
2. Indirectly as part of a consortium typically led by either a multinational systems integrator or professional services partner (including IBM, Accenture, Deloitte, and DXC Technology), and
3. Through strategic relationships as a preferred partner of third-party software providers (including Gartner defined visionaryproviders such as ABB/Hitachi, IFS and SAP). These strategic relationships provide business expansion opportunities for COSOL, as well as providing our clients with the opportunity to undertake their own strategic EAM imperatives knowing COSOL's breadth of capability will assist in mitigating their operational risk.

The fact that COSOL has over 60% of ABB/Hitachi's Ellipse EAM APAC customers as their client, as well as the successful completion of over 20 SAP migrations in Australia and internationally, bears testimony to the both the effectiveness of these strategic relationships and the importance of COSOL to these multinational organisations. This importance is only likely to increase as the new version of ABB/Hitachi's Ellipse software is released and existing clients upgrade, and SAP support for non-S/4 Hana versions of their ERP is wound down, meaning that over 500 SAP clients in Australia alone will potentially need to upgrade their systems.

## Customers, Client Profile

Our team of consultants are experts in tailoring business process and IT solutions to a range of asset intensive organisations, both large and small. We have experience in helping our clients within the energy utilities, defence, mining & minerals processing, public infrastructure and oil, gas & petrochemical industries:

# Case Study

## Background

Solution delivered for our customer, a multinational mining company with key management located in South Africa and the United Kingdom. The company has operations in sites across Africa, Asia, Australasia, Europe, North America and South America.

Our customers organization is currently in the process of undertaking a global standardisation of its ERP platform from Ellipse to SAP. This program commenced in 2017 with completion planned for mid-2021. As part of the program, several SAP modules were introduced to the system landscape to support redesigned business processes. This new system required conversion of data from the existing ERP system in order to support the new processes. In addition, our customer required data from the existing production system and legacy Ellipse systems to be retained, while enabling the legacy systems themselves to be decommissioned.

> **To assist in change management as well as to understand the impact of decisions during the project has provided significant value to our customers business.**

## Challenges

The customer organisation was concerned that due to the quality of their data they would not be able to realise the benefits outlined in the business case for their new ERP investment. Key sites for the program of work covered 4 global business units across Chile, Australia, South Africa and Brazil which each have unique cultural, language and system configuration differences. COSOL's solution needed to cater for these unique challenges and take responsibility for the end to end data solution.

## COSOL Solution

COSOL undertook data assessments to determine the current state of the data in terms of quality and then delivered functionally focused data cleansing & enrichment services that were completed in the source system by functional specialists. These specialists understand the source system as well as the intricacies and impact to the current and future state business process. COSOL is uniquely qualified with experience and capability in both Ellipse and SAP to undertake this critical activity as a repeatable service. The RPConnect toolset provides data analysis and profiling that focuses cleansing and enrichment effort on key aspects of consolidation such as inventory, cost centres, equipment and employee data to remove duplication and to ensure the data is of high quality and aligned with the customer own data standards, whilst ensuring the integrity of the data is maintained across traditional functional silos.

COSOL has revolutionised the resource-intensive Extract, Transform and Load (ETL) approach for ERP data migrations by investing in a robust, repeatable and auditable toolset (RPConnect) to manage the end-to-end data migration process. RPConnect provides our customer with an out-of-the-box standard Ellipse to SAP data mapping, therefore, all but eliminating the effort required for the development of migration scripts and allows data analysts to configure and modify conversion scripts storing them in a managed repository to expedite repeatable data conversions with certainty of outcome. This has resulted in a low risk, high quality outcome for our customer and ultimately has enabled them to realise the benefits of the new SAP ERP platform, populated with high quality, validated and cleansed data.

Finally, to be able to realise the benefits of our customers business case, their legacy systems must be decommissioned. In addition to its role during the project for data migration, RPConnect also provides the legacy data storage repository that eliminates the requirement to continue licencing of all legacy systems, hence reducing requirements for support staff, vendor contracts and data centres, yet still providing access to data for legislative, regulatory and operational requirements.

## Project Summary

COSOL has delivered the end to end service for the Chile and Australian operations and the data assessment and consolidation activities for South Africa and Brazil.

The ability to translate Ellipse and SAP terminology into business relevant terms to assist in change management as well as to understand the impact of decisions during the project has provided significant value to our customers business, ensuring that the focus is on high value areas and not detailed data cleansing activities.

The customer organisation were also able to reduce the management, licensing and operational costs significantly by decommissioning their obsolete Ellipse systems. The RPConnect solution also provided decision makers with an immediate view to accurate data and reports, as opposed to wasting weeks in searching for, securing and filtering the large volume data.

This process has safeguarded valuable enterprise data so that any changes, upgrades or implementations in new systems driven by operational, statutory or or regulatory priorities, can be embarked upon with the knowledge that RPConnect has secured their future legacy system data.

# Board of Directors



**Geoffrey Lewis**
**Non-Executive Chairman**

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

- Other current listed directorships: none
- Former listed directorships in the last three years: none
- Special responsibilities: Chairman

**Stephen Johnston CA**
**Non-Executive Director**

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

- Other current listed directorships: none
- Former listed directorships in the last three years: none
- Special responsibilities: Chairman of the Audit Committee and Member of the Remuneration & Nomination Committee.

**Grant Pestell LLB**
**Independent Non-Executive Director**

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

- Other current listed directorships: RooLife Group Limited (ASX: RLG)
- Former listed directorships in the last three years: none
- Special responsibilities: Chairman of the Risk Committee and Member of the Audit Committee.

**Gerald Strautins**
**Independent Non-Executive Director**

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

- Other current listed directorships: none
- Former listed directorships in the last three years: none
- Special responsibilities: Chairman of the Remuneration & Nomination Committee and Member of the Risk Committee.

# Management Team

## COSOL Limited Management Team

**Andrew McVinish**
**Chief Financial Officer, COSOL Limited**

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

**Ben Secrett**
**Company Secretary**

Ben has over 10 years of experience providing corporate advisory, legal, risk and governance services to Australian and foreign listed and unlisted entities, having worked as a corporate lawyer and also as a Principal Adviser in ASX Listings Compliance. Ben has qualifications in economics, law and corporate governance.

## COSOL Australia Management Team

**Scott McGowan**
**Chief Executive Officer, COSOL Australia**

Scott is the Chief Executive Officer of COSOL's operating subsidiary and is a highly experienced executive manager with a demonstrated ability to lead diverse teams of professionals to new levels of success in highly competitive markets. Scott has over 20 years of experience in both start-ups and global multinational corporations and possesses strong technical and business qualifications with an impressive track record in strategic planning, business unit development, project management, product development and system engineering strategies.

**Leo Quinn**
**GM, Sales & Marketing**

Leo joined COSOL in 2019 and is responsible for leading the sales and marketing team through acquiring new logos and working with our existing customers to optimise their business. Leo has over 35 years' experience in senior sales roles at leading consulting and software companies including Hitachi ABB, Wipro, Oracle, GE Digital as well as more recently at Symantec. Leo is passionate about ensuring his team are driven to deliver tangible business outcomes – both internally and for our customers.

**David Rowcliff**
**GM, Industry – Mining & Utilities**

With over 30 years of Telecommunications and Information Technology industry experience, David is a senior Sales, Technical and Management Executive. He has a proven track record of developing new and existing business, motivating a team as well as consistently exceeding targets.

David has been responsible for the delivery and success of COSOL's Managed Services and the development of COSOL's capabilities in line with the needs of its clients.

**Garry Tuckwell**
**GM, Business & Solution Development**

Garry has 30 years of experience in senior roles and brings a wealth of knowledge from a wide variety of Service Delivery, Program Management, Consulting, Strategic Planning and Senior Executive positions that can add value in a variety of ways to many organisational and technological change programs. Garry has been at the intersection of many technology & digital disruptions that businesses have had to navigate their way through.

**Fiona Parker**
**GM, People, Process & Technology**

Fiona is a senior Human Resources professional with 25 years' experience across IT, digital, telecommunications and professional services industries. Fiona specialises in talent strategy, delivery and people performance with a particular focus on culture and engagement for fast growth companies. Over the past 10 years, Fiona has consulted to some of the largest and fastest growing digital technology companies across Australia, UK and the United States. Previous to this, Fiona worked for leading Human Resource and Technology Consulting firms within their change and transformation vertical building large complex project teams.

**Jamie Miller**
**GM, Delivery**

Jamie is a senior management professional with over 25 years of experience in people leadership delivering services and projects within the public and private sector. For the past 15 years Jamie has held numerous roles providing Cx level advice and guidance on the delivery of ICT Strategy and projects. He has held accountability for Capex and Opex budgets in excess of $50m annually and lead teams in excess of 80 staff and contractors.

# Directors' Report

The Directors of COSOL Limited present their report on the consolidated entity, consisting of COSOL Limited and its controlled entities, for the financial year ended 30 June 2020.

## Directors

COSOL was incorporated on 7 August 2019, and the following persons were Directors of COSOL during the financial year from their date of appointment and up to the date of this report.

- Grant Pestell was appointed as a Director on 7 August 2019, and has served for 1 year.
- Geoff Lewis and Stephen Johnston were appointed as Directors on 10 September 2019, and have served for 11 months.
- Gerald Strautins was appointed as a Director on 4 October 2019, and has served for 10 months.

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 09 of the Annual Report.

## Directors' Interests in Shares and Options of COSOL

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

| Director | Shares | Options |
|---|---|---|
| G Lewis | 24,250,000 | Nil |
| S Johnston | 24,250,000 | Nil |
| G Pestell | 2,500,000 | Nil |
| G Strautins | 3,000,000 | Nil |
| **Total** | **54,000,00** | **Nil** |

## Company Secretary

Ben Secrett was appointed as Secretary on 8 October 2019.

Details of his qualifications and experience are set out on page 10 of the Annual Report.

## Meetings of Directors

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each Director during the financial year are detailed below.

| | | | Committees | | | | | |
|---|---|---|---|---|---|---|---|---|
| Director | Board | | Audit | | Risk | | Remuneration & Nomination | |
| | E | A | E | A | E | A | E | A |
| G Lewis | 8 | 8 | N/A | N/A | N/A | N/A | N/A | N/A |
| S Johnston | 8 | 8 | 1 | 1 | N/A | N/A | 1 | 1 |
| G Strautins | 7 | 7 | N/A | N/A | 1 | 1 | 1 | 1 |
| G Pestell | 8 | 7 | 1 | 1 | 1 | 1 | N/A | N/A |

E = total number of meetings held during the financial year that the Director was eligible to attend
A = number of meetings attended by the Director
N/A = not a member of the relevant committee

## Principal Activities

The principal activities of the consolidated entity during the financial year were the provision of information technology services.

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

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

## Results

The activities of the consolidated entity for the financial year resulted in revenue of $11,668,928 and a net profit after income tax of $1,506,412. Further details about the consolidated entity's financial results are set out in its financial statements.

## Review of Operations

A review of the operations of the consolidated entity during the financial year is set out on pages 2 and 3 of the Annual Report and forms part of this Directors' Report, and should be read in conjunction with the following.

COSOL was incorporated on 7 August 2019 as a proprietary company limited by shares.

During the financial year, COSOL:

- raised $2,150,000 through the issue of ordinary shares;
- converted to a public company limited by shares;
- prepared and on 10 December 2019 lodged a prospectus for an initial public offering, and raised $12,000,000 through the issue of ordinary shares under the IPO;
- prepared and lodged an application for admission to the official list of ASX;
- entered into an agreement to and subsequently acquired COSOL Australia Pty Ltd on 16 January 2020, at which time the consolidated entity of COSOL and COSOL Australia was formed;
- was admitted to the official list of ASX on 22 January 2020; and
- on 24 January 2020 had its ordinary shares commence quotation and trading on ASX.

As at 30 June 2020, the consolidated entity:

- held cash reserves of $6,774,535; and
- had generated revenue of $11,668,928 and net profit after tax of $1,506,412 for the financial year.

Key highlights for the consolidated entity during the financial year include:

- Major client wins – building on its history of delivering innovative and cost effective solutions to the EAM market, the consolidated entity secured significant client wins to grow revenue through new and expanded work engagements for professional services, digital products and ongoing support services, with clients including the Australian Department of Defence, CleanCo Queensland, New Hope Corporation Limited, Queensland Urban Utilities, Ok Tedi Mining Limited, Energy Queensland and Anglo American.
- Increased IP product revenue – revenue generated from the provision of support and deployment of products based on the consolidated entity's digital IP has increased to more than 55% of total revenue.
- Growth in RPConnect deployment – RPConnect continued to be a significant digital IP asset to be deployed for data management in large scale digital transformation projects, including upgrades to the data intensive next generation of EAM platforms.
- IP development – continued to develop RPConnect to incorporate functionality to accelerate transformations to SAP S/4 HANA.
- New talent – attracted new talent and made internal promotions to strengthen the business development, defence sector servicing and product sales teams.
- New office – opened a Melbourne office to expand the consolidated entity's geographic reach to support client servicing, win new business in new markets and industry sectors, and provides a base to penetrate new Australian markets.

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

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

## Dividends

No dividends were paid or declared by COSOL to members during the financial year.

## Significant Changes in the State of Affairs

Other than the developments reported elsewhere in this report there were no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2020.

## Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. However, the Directors and management of the consolidated entity intend to continue operations as conducted during the financial year and in a manner consistent with the consolidated entity's business model and growth strategy (which includes organic and acquisitive growth).

## Environmental Regulation

The consolidated entity's operations are not regulated by any particular and significant law of the Commonwealth or of a State or Territory of Australia relating to the environment.

## Economic, Environmental and Social Sustainability Risks

The consolidated entity does not consider that it has any material exposures to environmental and social sustainability risks.

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

## Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 17 of this Annual Report.

## Shares Under Options

As at the date of this Directors' Report, unissued ordinary shares of COSOL under option are detailed below.

| Expiry Date | Exercise Price | Number of Options |
|---|---:|---:|
| 15 October 2021 | $0.3625 | 2,000,000 |
| 2 September 2022 | $0.61 | 762,500 |
| 2 September 2023 | $0.70 | 762,500 |
| 15 October 2023 | $0.415 | 3,000,000 |
| Total | | 6,525,000 |

No ordinary shares have been issued during or since the end of the financial year as a result of the exercise of options over unissued ordinary shares.

## Events Subsequent to the End of the Financial Year

The following events have occurred since 30 June 2020.

- On 10 August 2020 COSOL issued 1,525,000 unquoted options to employees of the consolidated entity under an employee incentive scheme.
- The consolidated entity secured $6,500,00 in funding from Bankwest. The funding is comprised of a term debt facility of $3,000,000, working capital multi-option facility of $3,250,000 and a corporate credit card facility of $250,000.

No other matter or circumstance has arisen since 30 June 2020 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.

## Indemnification and Insurance of Directors and Officers

### Indemnification

The consolidated entity has indemnified, to the extent permitted by law, the Directors and officers of the consolidated entity against any liability incurred by a Director or officer in or arising out of the conduct of the business of the consolidated entity or in or arising out of the discharge of that officer's duties. No amount was paid pursuant to these indemnities during the financial year, nor subsequently to the date of this Annual Report.

During the financial year the consolidated entity paid a premium in respect of a contract to insure the Directors and officers of the consolidated entity against any liability incurred by a Director or officer in or arising out of the conduct of the business of the consolidated entity or in or arising out of the discharge of that officer's duties. Under the terms of that contract, the details of the nature and extent of the liabilities insured against and the amount of premiums paid are confidential.

## Proceedings on Behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company pursuant to section 236 with leave of the Court under section 237 of the *Corporations Act 2001*.

## Non-Audit Services

During the financial year, the consolidated entity's auditor, Elderton Audit Pty Ltd, did not perform any other services in addition to the review and audit of the financial statements. It is noted that Elderton Capital Pty Ltd, a related practice of Elderton Audit Pty Ltd, acted as investigating accountant to COSOL's initial public offering.

Details of the amounts paid or payable to Elderton Audit Pty Ltd and Elderton Capital Pty Ltd for services provided during the financial year are detailed in Note 23 to the consolidated entity's financial statements.

For good governance purposes, and pursuant to a resolution of the Board of Directors, the Directors are satisfied that the provision of non-audit services by a related practice of Elderton Audit Pty Ltd during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by a related practice of Elderton Audit Pty Ltd did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons.

- All non-audit services are reviewed and approved by the Board or the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, 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 risk and rewards.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24 of the Annual Report.

## Auditor

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnity the auditor of the consolidated entity against a liability incurred by the auditor. During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity.

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

No Director has been a partner in an audit firm or a director of an audit firm that is an auditor of the consolidated entity.

## Rounding of Amounts

The amounts in this report and the financial statements have been rounded to the nearest dollar, in accordance with *ASIC Corporations (Rounding of Financial/Directors' Reports) Instrument 2016/191*. Any discrepancies between totals and sums of components in tables and figures contained in this Annual Report are due to rounding.

## Signing

This Directors' Report is made in accordance with a resolution of the Directors, and is signed for and on behalf of the Directors.

**Geoff Lewis**
Chairman

25 August 2020

# Remuneration Report



The Directors present this Remuneration Report for the consolidated entity for the financial year ended 30 June 2020. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this Remuneration Report, key management personnel (KMP) (as defined in *AASB 124 Related Party Disclosures*) of the consolidated entity are those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly. The KMP of the consolidated entity during the financial year were the Directors of the Company, and the Chief Executive Officer and Chief Financial Officer of COSOL Australia Pty Ltd.

## Remuneration Policy and Principles

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

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

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

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

### Non-Executive Directors

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

### Other KMP (including executive Directors)

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

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

## Remuneration Report Approval

This Remuneration Report for the financial year ended 30 June 2020 will be put to shareholders for approval at COSOL's AGM which will be held during November 2020. COSOL has not previously held an AGM and shareholders have not previously voted on a remuneration report of the COSOL.

## Details of Remuneration

Details of the remuneration of the Directors and KMP (for the financial year since incorporation on 7 August 2019) of the consolidated entity are detailed below.

| | | Short Term Employment Benefits | | | | Post Employment Benefits | | Long Term Employment Benefits | | | Proportion of Remuneration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors and KMP | Year | Cash salary and fees $ | Bonus[8] $ | Non-Monetary $ | Other (including Annual Leave) $ | Super-annuation $ | Other $ | Long Service Leave $ | Share Based Payments | Total $ | Performance based |
| G Lewis[1] | 2020 | $28,132 | $22,831 | | | $4,842 | | | | | |
| S Johnston[2] | 2020 | $19,901 | $22,831 | | | $4,060 | | | | | |
| G Pestell[3] | 2020 | $21,792 | $25,000 | | | $0 | | | | | |
| G Strautins[4] | 2020 | $19,901 | $22,831 | | | $4,060 | | | | | |
| S McGowan[5] | 2020 | $104,642 | $175,000 | | | $9,832 | | | $6,394 | | |
| M Woodward[7] | | $32,730 | $14,610 | | $38,909 | $6,586 | | | | | |
| **Total Remuneration** | 2020 | $227,098 | $283,103 | | $38,909 | $29,380 | | | $6,394 | $584,884 | |

1 Appointed 10 September 2019

2 Appointed 10 September 2019

3 Appointed 7 August 2019; director's fees are paid to a service company without a component of superannuation.

4 Appointed 4 October 2019

5 Employed as Chief Executive Officer by COSOL Australia Pty Ltd which became part of the consolidated entity on 16 January 2020.

6 On 8 May 2020 the Company granted 1,200,000 unquoted $0.3625 options expiring 15 October 2021 and 1,800,000 unquoted $0.415 options expiring 15 October 2023 to a related party of S McGowan as part of his remuneration.

7 Employed as Chief Financial Officer by COSOL Australia Pty Ltd which became part of the consolidated entity on 16 January 2020; ceased employment with COSOL Australia Pty Ltd on 19 March 2020.

8 A cash bonus of $25,000 (inclusive of superannuation if applicable) was agreed and paid to each of the Directors during the financial year. A cash bonus of $175,000 was agreed and paid to Mr McGowan during the financial year.

The Company was incorporated and the consolidated entity was formed during the financial year and this 2020 Annual Report (including Directors' Report and financial statements) is the first released by the consolidated entity. The consolidated entity's earnings results and shareholders' returns for the financial year, against which KMP remuneration and the consolidated entity's remuneration principles and policies can be discussed, are detailed below.

| | |
|---|---|
| Revenue | $11,668,928 |
| EBITDA | $2,050,616 |
| Net profit after income tax | $1,506,412 |
| Share price | $0.595 (as at 30 June 2020 – IPO price of $0.20 and closed at $0.80 on 25 August 2020) |
| Basic earnings per share | $0.02 |

## KMP Remuneration

The consolidated entity has entered into an executive services agreement with Scott McGowan on the following material terms.

- Position: Chief Executive Officer of COSOL Australia Pty Ltd.
- Commencement date: 16 January 2020.
- Term: Until agreement is validly terminated in accordance with its terms.
- Notice period: Either party may terminate the agreement without cause by providing the other party with no less than 6 months' written notice. Mr McGowan may terminate if a material breach of the agreement by COSOL Australia is not remedied within 14 days of receiving notice. COSOL Australia may terminate the agreement with no less than 3 months' written notice where Mr McGowan is absent for more than 3 months in any rolling 12 month period, or immediately with cause in circumstances considered standard for agreements of this nature in Australia, including serious or persistent breaches of the agreement, grave misconduct or wilful neglect in the discharge of his duties under the agreement.
- Salary: $250,000 per annum (inclusive of statutory superannuation).
- Cash short term performance-based incentive: up to $250,000 per annum (inclusive of statutory superannuation), payable quarterly on the following terms.
  - Incentive payment based on delivery of annual target EBIT for COSOL Australia (subject to adjustment by the Board), with quarterly targets calculated as on a quarter of the annual target.
  - Entitled to 80% of the incentive payment if 80% of the target EBIT for the quarter is achieved, and an additional 1% of the incentive for every 1% by which actual EBIT exceeds target EBIT for the quarter.
  - EBIT for COSOL Australia is calculated after all incentives and bonuses for staff have been calculated.
  - If target EBIT is not achieved in a quarter, there is an ability to "catch-up" in subsequent quarters.
  - Payment of any bonus is subject to satisfaction of a number of agreed prerequisite conditions.
  - Incentive payment will be paid for accrued completed quarters should Mr McGowan cease employment with COSOL Australia.
- Expenses: The consolidated entity will reimburse Mr McGowan for all reasonable expenses incurred by him in the performance of his duties in connection with the consolidated entity.
- Leave: The agreement otherwise contains leave entitlements, termination and confidentiality provisions and general provisions considered standard for an agreement of this nature.

COSOL Australia had entered into an employment agreement with Melanie Woodward on the following material terms (Ms Woodward ceased employment with COSOL Australia on 19 March 2020.

- Position: Chief Financial Officer of COSOL Australia Pty Ltd.
- Commencement date: On or about 21 September 2018.
- Term: Until agreement is validly terminated in accordance with its terms.
- Notice period: Either party may terminate the agreement without cause by providing the other party with no less than 30 days' written notice. COSOL Australia may terminate the agreement immediately with cause in circumstances considered standard for agreements of this nature in Australia, including serious or persistent breaches of the agreement.
- Salary: $200,385 per annum (inclusive of statutory superannuation).
- Cash short term performance-based incentive: Up to $40,800 per annum (inclusive of statutory superannuation).
- Expenses: The Company will reimburse Ms Woodward for all reasonable expenses incurred by her in the performance of his duties in connection with the COSOL Australia.
- Leave: The agreement otherwise contains leave entitlements, termination and confidentiality provisions and general provisions considered standard for an agreement of this nature.

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

| Director | Annual Remuneration inclusive of Superannuation |
|---|---|
| G Lewis | $65,000 |
| S Johnston | $45,000 |
| G Pestell | $45,000 |
| G Strautins | $45,000 |
| **Total** | **$200,000** |

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

## Share Based Compensation to KMP

Unquoted options issued to KMP carry no dividend or voting rights, and each option is convertible into one ordinary share. The following options were granted to Scott McGowan during the financial year pursuant to the Company's Employee Option Plan as performance based compensation, and the options have been valued using a Monte Carlo simulation.

| Scott McGowan – unquoted options | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant Date | 24 April 2020 | 24 April 2020 | 24 April 2020 |
| Expiry Date | 15 October 2021 | 15 October 2022 | 15 October 2023 |
| Share Price at Grant Date | $0.30 | $0.30 | $0.30 |
| Exercise Price | $0.3625 | $0.415 | $0.415 |
| Vesting Conditions | See below | See below | See below |
| Number Granted | 1,200,000 | 900,000 | 900,000 |
| Total Fair Value | $20,264 | $28,812 | $25,500 |
| Remuneration Expense – 2020 | $2,478 | $2,247 | $1,396 |
| Remuneration Expense – 2019 | – | – | – |

Mr McGowan's share-based payment expense for the financial year constituted 2.2% of this total compensation.

The key terms, including performance conditions, of the options granted to Mr McGowan are detailed below.

- Vesting:

  **Tranche 1:** 2,000,000 vest on 21/8/2021 (FY21), exercisable from 1/9/2021

  **Tranche 2:** 900,000 vest on 21/82022 (FY22), exercisable from 1/9/2022

  **Tranche 3:** 900,000 vest on 21/8/2023 (FY23), exercisable from 1/9/2023

  Any options which do not vest will automatically lapse.

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

- Claw-back:

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

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

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

## Option Holdings of KMP

| Directors and KMP | Options Held at 7 August 2019 | Granted as LTI Remu-neration | Exercised | Other Changes | Options Held at 30 June 2020 | Unvested at 30 June 2020 |
|---|---|---|---|---|---|---|
| G Lewis | – | – | – | – | – | |
| S Johnston | – | – | – | – | – | |
| G Pestell | – | – | – | – | – | |
| G Strautins | – | – | – | – | – | |
| S McGowan | – | 3,000,000 | – | – | 3,000,000 | 3,000,000 |
| M Woodward | – | – | – | – | – | – |
| **Total** | **–** | **3,000,000** | **–** | **–** | **3,000,000** | **3,000,000** |

The Company has established an Employee Option Plan for the basis of providing participants with a component of equity-based remuneration. The Company has a policy of discouraging participants in the Employee Option Plan from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Option Plan.

## Ordinary Share Holdings of KMP

| Directors and KMP | Shares Held at 7 August 2019 | Share Based Payments | Exercise of Options | Issued for Cash | Issued as Considera-tion | Shares Held at 30 June 2020 | Shares Held at Date of Report |
|---|---|---|---|---|---|---|---|
| G Lewis[1] | – | – | – | 24,250,000 | – | 24,250,000 | 24,250,000 |
| S Johnston[2] | – | – | – | 24,250,000 | – | 24,250,000 | 24,250,000 |
| G Pestell[3] | 1 | – | – | 2,499,999 | – | 2,500,000 | 2,500,000 |
| G Strautins[4] | – | – | – | 3,000,000 | – | 3,000,000 | 3,000,000 |
| S McGowan[5] | – | – | – | – | 4,500,000 | 4,500,000 | 4,500,000 |
| M Woodward | – | – | – | – | – | – | – |
| **Total** | **1** | **–** | **–** | **53,999,000** | **4,500,000** | **58,500,000** | **58,500,000** |

1. Held directly
2. Held directly, except for 1,250,000 held indirectly
3. Held beneficially
4. Held beneficially

5. Held indirectly

## Other transactions

There were no loans made, guaranteed or secured by the consolidated entity with a Director, KMP or a close family member of a Director or KMP during the financial year or as at the date of this Remuneration Report.

Mr Pestell, a non-executive Director, is Managing Director and part owner of, and has significant influence over, MPH Lawyers, the consolidated entity's Australian legal adviser. MPH Lawyers is not a material services supplier to the consolidated entity and the consolidated entity is not a material client of MPH Lawyers. During the financial year, the consolidated entity paid a total of $241,874 in legal fees in connection with the IPO and in the provision of other legal services. These transactions occurred within a normal customer-supplier relationship and on terms and conditions no more favourable than those available to other parties on an arms-length basis.

There were no other Director or KMP transactions.

**End of Audited Remuneration Report**

# Corporate Governance Statement



COSOL and its Board of Directors are committed to achieving and demonstrating high standards of corporate governance. COSOL has adopted (where suitable for its circumstances) the Corporate Governance Principles and Recommendations (Third Edition) published by the ASX Corporate Governance Council. COSOL has reviewed its corporate governance practices against the Third Edition for the financial year ended 30 June 2020. The Council released the Fourth Edition in February 2019, effective for financial years beginning on or after 1 January 2020, and COSOL will report against the Fourth Edition for the financial year ending 30 June 2021.

COSOL's 2020 Corporate Governance Statement reflects its corporate governance practices for the financial year ended 30 June 2020 and was approved by the Board on 25 August 2020. COSOL's 2020 Corporate Governance Statement and Corporate Governance Plan are available on COSOL's website at https://www.COSOL.com.au/investor-centre/#corporate-governance.

# Auditor’s Independence Declaration

ELDERTON
AUDIT PTY LTD

**Auditor's Independence Declaration**

To those charged with the governance of COSOL Limited

As auditor for the audit of COSOL Limited for the period ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Elderton Audit Pty Ltd

**Elderton Audit Pty Ltd**

Nicholas Hollens

**Nicholas Hollens**
Managing Director

25 August 2020

**T** +61 8 6324 2900 **E** info@eldertongroup.com **A** Level 2, 267 St Georges Terrace, Perth WA 6000
**F** +61 8 6555 9555 **W** www.eldertongroup.com **P** PO Box 983 West Perth WA 6872

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

| | Note | 2020 $ |
|---|---|---|
| **Revenue** | 3 | 11,668,928 |
| **Other income** | | 551,625 |
| **Cost of Sales** | 4 | (8,133,251) |
| **Expenses** | | |
| Salaries & Wages | | (1,023,170) |
| Depreciation and amortisation expense | 4 | (94,434) |
| Operating & General Expenses | | (1,009,818) |
| **Profit before income tax** | | **1,959,880** |
| Income Tax | 5 | (453,468) |
| **Profit after income tax for the period attributable to the owners of COSOL Limited** | | **1,506,412** |
| **Other comprehensive income** | | – |
| **Total comprehensive income for the period attributable to the owners of COSOL Limited** | | **1,506,412** |
| **Earnings per share** | | |
| Basic earnings per share | | **$0.02** |
| Diluted earnings per share | | **$0.02** |

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 2020

| | Note | 2020 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 6 | 6,774,535 |
| Trade and other receivables | 7 | 4,021,414 |
| Prepayments and other receivables | 8 | 127,355 |
| **Total current assets** | | **10,923,304** |
| **Non-current assets** | | |
| Property, plant and equipment | 9 | 109,671 |
| Deferred tax | 11 | 364,249 |
| Goodwill | 26 | 18,209,183 |
| Right of use assets | 10 | 418,355 |
| **Total Non-current assets** | | **19,101,458** |
| **Total Assets** | | **30,024,762** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 12 | 1,457,534 |
| Income tax | 14 | 206,401 |
| Provisions | 15 | 473,736 |
| Accrued and other liabilities | 16 | 1,490,386 |
| Deferred consideration | 18 | 3,704,619 |
| Lease liability | 13 | 101,531 |
| **Total current liabilities** | | **7,434,207** |
| **Non-current liabilities** | | |
| Lease liability | 17 | 290,124 |
| Deferred consideration | 18 | 2,795,381 |
| **Total non-current liabilities** | | **3,085,505** |
| **Total liabilities** | | **10,519,712** |
| **Net assets** | | **19,505,050** |
| **Equity** | | |
| Issued capital | 19 | **17,987,986** |
| Reserves | 20 | **10,652** |
| Retained profits | | **1,506,412** |
| **Total Equity** | | **19,505,050** |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the period 7 August 2019 to 30 June 2020

| | Issued capital $ | Reserves $ | Retained profits $ | Share based payment reserve $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 7 August 2019 | – | | – | – | – |
| Profit for the period | – | | 1,506,412 | – | 1,506,412 |
| Total comprehensive income for the year | – | | 1,506,412 | – | 1,506,412 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs (note 19) | 17,987,986 | | – | – | 17,987,986 |
| Share-based payments (note 20) | – | | – | 10,652 | 10,652 |
| **Balance at 30 June 2020** | **17,987,986** | | **1,506,412** | **10,652** | **19,505,050** |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the year ended 30 June 2020

| | Note | 2020 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of GST) | | 12,860,610 |
| Payments to suppliers and employees (inclusive of GST) | | (9,390,376) |
| | | **3,470,234** |
| Interest received | | 3,698 |
| Income taxes paid | | (550,499) |
| **Net cash after tax from operating activities** | 29 | **2,923,433** |
| **Cash flows from investing activities** | 26 | |
| Payment for purchase of business, net of cash acquired | | (9,347,793) |
| Payments for property, plant and equipment | | (48,364) |
| **Net cash used in investing activities** | | **(9,396,157)** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | | 13,327,245 |
| Repayment of lease liabilities | | (79,986) |
| **Net cash used in financing activities** | | **13,247,259** |
| Net increase/(decrease) in cash and cash equivalents | | 6,774,535 |
| Cash and cash equivalents at the beginning of the financial year | | – |
| Effects of exchange rate changes on cash and cash equivalents | | – |
| **Cash and cash equivalents at the end of the financial year** | | **6,774,535** |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

30 June 2020



## Note 1. Significant accounting policies

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

## New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

### AASB 16 *Leases*

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 '*Leases*' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

## 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 25.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of COSOL Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period then ended. COSOL Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

## Note 1. Significant accounting policies continued

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.

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

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

## Foreign currency translation

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

### Foreign currency transactions

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

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

## Revenue recognition

The consolidated entity recognises revenue as follows:

### Revenue from contracts with customers

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

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

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

## Note 1. Significant accounting policies continued

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

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

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

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

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

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

| Revenue Streams | Measurement Methods |
|---|---|
| **Sale of licences** | Revenue for license sold is recognised at a point in time. |
| **Set-up and support activities** | Revenue is recognised for arrangements involving software including implementation support over time till the implementation services are completed. |
| **Maintenance services** | Revenue is recognised through out the period of maintenance contract i.e. over time. |
| **Consulting services** | Revenue is recognised over the time based on the time spent on the provision of the consulting services |

**Interest**

Interest revenue is recognised as interest accrues using the effective interest method.

**Other revenue**

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

### Government grants

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

### Income tax

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

## Note 1. Significant accounting policies continued

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

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

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

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

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

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

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

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

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

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

## Note 1. Significant accounting policies continued

### 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.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity'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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### Property, plant and equipment

Land and buildings are shown at cost, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to

## Note 1. Significant accounting policies continued

the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

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

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

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

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

An item of property, plant and equipment is 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### 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.

## Note 1. Significant accounting policies continued

### Impairment of non-financial assets

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

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

### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial 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.

### Borrowings

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

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent periods. The corresponding interest on convertible notes is expensed to profit or loss.

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Finance costs

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

## Note 1. Significant accounting policies continued

### Provisions

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

### Employee benefits

**Short-term employee benefits**

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

**Other long-term employee benefits**

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

**Share-based payments**

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

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

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

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

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

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

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

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

## Note 1. Significant accounting policies continued

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

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

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

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

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

### Dividends

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

### Business combinations

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

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

## Note 1. Significant accounting policies continued

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

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

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

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

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

## Earnings per share

### Basic earnings per share

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

## Note 1. Significant accounting policies continued

### 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 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### Conceptual Framework for Financial Reporting (Conceptual Framework)

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

## Note 2. Critical accounting judgements, estimates and assumptions

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

### Coronavirus (COVID-19) pandemic

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

### Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo Method 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. Refer to note 32 for further information.

### Revenue from contracts with customers involving sale of goods

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

## Note 2. Critical accounting judgements, estimates and assumptions continued

### Determination of variable consideration

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

### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

## Note 3. Revenue

| | 2020 $ |
|---|---|
| **Revenue from contracts with customers** | |
| Sale of goods | 316,232 |
| Rendering of services | 11,352,696 |
| | **11,668,928** |
| **Other income** | |
| Reimbursement of Expenses | 320,181 |
| Government Grants | 227,746 |
| Interest Income | 3,698 |
| | **551,625** |

## Note 4. Expenses

| | 2020 $ |
|---|---|
| Profit before income tax from continuing operations includes the following specific expenses: | |
| **Cost of sales** | **8,133,251** |
| **Depreciation** | |
| Plant and equipment | 13,982 |
| Buildings right-of-use assets | 80,452 |
| **Total depreciation** | **94,434** |
| **Superannuation expense** | |
| Superannuation expense | **536,874** |
| **Share-based payments expense** | |
| Share-based payments expense | **10,652** |

## Note 5. Income tax expense

| | 2020 $ |
|---|---|
| **Income tax expense** | |
| Current tax | 507,926 |
| Deferred tax – origination and reversal of temporary differences | (54,458) |
| **Total tax expense per income statement** | **453,468** |
| **Numerical reconciliation of income tax expense and tax at the statutory rate** | |
| Profit before income tax expense | 1,959,880 |
| Tax at the statutory tax rate of 27.50% | 538,967 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | |
| Non deductible expenses | 16,628 |
| Other assessable income | 482 |
| Non assessable income | (62,424) |
| Deductible equity raising costs | (40,185) |
| **Income tax expense booked to statement of comprehensive income** | **453,468** |
| **Deferred tax expensed (credited) directly to equity** | |
| Relating to equity raising costs | (160,741) |
| | **(160,741)** |

## Note 6. Current assets – cash and cash equivalents

| | 2020 $ |
|---|---|
| Cash at bank | 6,774,535 |
| | **6,774,535** |

## Note 7. Current assets – trade and other receivables

| | 2020 $ |
|---|---|
| Trade receivables | 3,018,851 |
| | **3,018,851** |
| Sundry receivables | 227,746 |
| Accrued income | 774,817 |
| | **4,021,414** |

### Allowance for expected credit losses

The consolidated entity has not recognised any allowance for expected credit loss in profit or loss since all the trade receivable for the period ended 30 June 2020 are expected to be recovered in due course.

## Note 8. Prepayment and other receivables

| | 2020<br>$ |
|---|---|
| Prepayments | 49,028 |
| Other receivables | 78,327 |
| | **127,355** |

## Note 9. Non-current assets – property, plant and equipment

| | 2020<br>$ |
|---|---|
| Buildings and improvements at Cost | 16,510 |
| Less: Accumulated depreciation | (4,175) |
| | **12,335** |
| Computers – at Cost | 97,633 |
| Less: Accumulated depreciation | (45,304) |
| | **52,329** |
| Furniture & Fixtures at Cost | 19,438 |
| Less: Accumulated depreciation | (3,796) |
| | **15,642** |
| Low Value Asset Pool – at Cost | 2,379 |
| Less: Accumulated depreciation | (1,497) |
| | **882** |
| Office Equipment – at Cost | 29,203 |
| Less: Accumulated depreciation | (720) |
| | **28,483** |
| | **109,671** |

## Reconciliations

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

| | Buildings and improve-ments<br>$ | Computers<br>$ | Furniture and fixtures<br>$ | Low value asset pool<br>$ | Office equipment<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Balance at 7 August 2019 | – | – | – | – | – | **–** |
| Additions through business combinations (note 28) | 3,565 | 55,693 | 14,863 | 1,073 | 95 | **75,289** |
| Additions | 10,158 | 7,787 | 1,706 | – | 28,713 | **48,364** |
| Depreciation expense | (1,388) | (11,151) | (927) | (192) | (324) | **(13,982)** |
| **Balance at 30 June 2020** | **12,335** | **52,329** | **15,642** | **881** | **28,484** | **109,671** |

## Note 10. Non-current assets – right-of-use assets

| | 2020 $ |
|---|---|
| Buildings – right-of-use | 579,259 |
| Less: Accumulated depreciation | (160,904) |
| | **418,355** |

Additions to the right-of-use assets during the year were $579,259.

## Note 11. Non-current assets – deferred tax

| | 2020 $ |
|---|---|
| **Deferred tax asset comprises temporary differences attributable to:** | |
| Amounts recognised in profit or loss: | |
| Employee provisions | 199,029 |
| Blackhole expenses | 12,034 |
| Plant and equipment | (7,343) |
| Other deferred tax liabilities | (212) |
| | **203,508** |
| Amounts recognised in equity: | |
| Capital raising costs | 160,741 |
| **Deferred tax asset** | **364,249** |

## Note 12. Current liabilities – trade and other payables

| | 2020 $ |
|---|---|
| Trade payables | **1,457,534** |

Refer to note 21 for further information on financial instruments.

## Note 13. Current liabilities – lease liabilities

| | 2020 $ |
|---|---|
| Lease liability | **101,531** |

Refer to note 21 for further information on financial instruments.

## Note 14. Current liabilities – income tax

| | 2020 $ |
|---|---|
| Provision for income tax | **206,401** |

## Note 15. Provisions

| | 2020<br>$ |
|---|---|
| Long service leave | 74,210 |
| Annual leave | 380,910 |
| FBT | 18,616 |
| | **473,736** |

### Long service leave

The provision represents long service leave entitlements owing to current employees.

### Annual leave

The provision represents annual leave entitlements owing to current employees.

### FBT

The provision represents the fringe benefit tax payable within 12 months

### Movements in provisions

Movements in each class of provision during the current financial year are set out below:

| 2020 | Long service leave<br>$ | Annual leave<br>$ | FBT<br>$ |
|---|---|---|---|
| Carrying amount at the start of the year | – | – | – |
| Additional provisions recognised | 139,365 | 476,335 | 18,616 |
| Amounts transferred from non-current | – | – | – |
| Amounts used | (65,155) | (95,425) | – |
| Unused amounts reversed | – | – | – |
| **Carrying amount at the end of the year** | **74,210** | **380,910** | **18,616** |

## Note 16. Accrued and other liabilities

| | 2020<br>$ |
|---|---|
| Accrued expenses | 551,882 |
| GST payable | 327,258 |
| Superannuation payable | 268,620 |
| Payroll tax payable | 137,317 |
| Prepaid revenue | 87,367 |
| Other liabilities | 117,942 |
| | **1,490,386** |

## Note 17. Non-Current liabilities – lease liabilities

| | 2020 $ |
|---|---|
| Lease liability | **290,124** |

Refer to note 21 for further information on financial instruments.

## Note 18. Deferred consideration

| | 2020 $ |
|---|---|
| Deferred consideration – current liability | 3,704,619 |
| Deferred consideration – non-current liability | 2,795,381 |
| | **6,500,000** |

The deferred consideration represents amount payable to the former shareholders of COSOL Australia Pty Limited. This amount has to be paid within seven days after the Group releases its audited financial statements for the year 30 June 2020 and 30 June 2021. The amount of deferred consideration is capped at $6,500,000. Neither amount has not been discounted to present value since the last payment is due in a period slightly exceeding twelve months.

The company at its sole election, can satisfy the Deferred Consideration by way of an issue of shares rather than a cash payment. If the company elects to issue shares, the shares will be issued at the volume weighted average price per share for the 30 days immediately prior to date the Group releases its audited financial statements for the year 30 June 2020 and 30 June 2021.

## Note 19. Equity – issued capital

| | 2020 $ |
|---|---|
| Ordinary shares – fully paid | **127,500,000** |

### Movements in ordinary share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| **Balance** | **30 June 2019** | | | |
| Issue of shares | 7 August 2019 | 1 | 0.05 | – |
| Issue of shares | 4 October 2019 | 10,000,000 | 0.05 | 500,000 |
| Issue of shares | 6 December 2019 | 34,999,999 | 0.05 | 1,750,000 |
| Issue of shares | 16 January 2020 | 82,500,000 | 0.20 | 16,500,000 |
| Share issue transaction costs, net of tax | 16 January 2020 | | | (762,014) |
| **Balance** | **30 June 2020** | **127,500,000** | | **17,987,986** |

### 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.

## Note 19. Equity – issued capital continued

### Share buy-back

There is no current on-market share buy-back.

### Capital risk management

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

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

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

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

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

## Note 20. Equity – reserves

| | 2020<br>$ |
|---|---|
| Share based payment reserve | 10,652 |
| | **10,652** |

## Note 21. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

### Market risk

#### Foreign currency risk

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

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

#### Price risk

The consolidated entity currently has no borrowings therefore no interest rate risk.

## Note 21. Financial instruments continued

**Interest rate risk**

The consolidated entity currently has not borrowings therefore no interest rate 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.

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

### Liquidity risk

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

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

**Remaining contractual maturities**

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

| Consolidated – 2020 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | 0% | 1,457,534 | | | | |
| **Other payables** | | | | | | |
| *Interest-bearing – fixed rate* | | | | | | |
| Lease liability | | 101,531 | 101,531 | 188,593 | | |
| **Total non-derivatives** | | **1,559,065** | **101,531** | **188,593** | | |

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

## Note 21. Financial instruments continued

### Fair value of financial instruments

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

## Note 22. 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:

| | 2020 $ |
|---|---|
| Short-term employee benefits | 549,110 |
| Post-employment benefits | 29,380 |
| Long-term benefits | – |
| Share-based payments | 6,394 |
| | **584,884** |

## Note 23. Remuneration of auditors

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

| | 2020 $ |
|---|---|
| **Audit services** | |
| Audit or review of the financial statements | 30,000 |
| **Other services** | |
| Independent Accountants Report | 8,800 |
| Audit of COSOL Australia Pty Ltd's prior year financial statements for the initial public offering | 44,990 |
| | **83,790** |

## Note 24. Related party transactions

### Parent entity

Cosol Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 27.

### Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

- Mr Pestell, a non-executive Director, is Managing Director and part owner of, and has significant influence over, MPH Lawyers, the consolidated entity's Australian legal adviser. MPH Lawyers is not a material services supplier to the consolidated entity and the consolidated entity is not a material client of MPH Lawyers. During the financial year, the consolidated entity paid a total of $241,874 in legal fees in connection with the IPO and in the provision of other legal services. These transactions occurred within a normal customer-supplier relationship and on terms and conditions no more favourable than those available to other parties on an arms-length basis.

| | 2020<br>$ |
|---|---|
| Payment for goods and services | **241,874** |

### Receivable from and payable to related parties

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

| | 2020<br>$ |
|---|---|
| Current payables: | |
| Trade payables to MPH Lawyers | **3,850** |

### Loans to/from related parties

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

### Terms and conditions

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

## Note 25. Parent entity information

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

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

| | 2020<br>$ |
|---|---|
| Profit/(loss) after income tax | (363,784) |
| **Total comprehensive income/(loss)** | **(363,784)** |

### Statement of financial position

| | 2020<br>$ |
|---|---|
| **Total current assets** | **3,499,678** |
| **Total assets** | **24,221,137** |
| **Total current liabilities** | **4,344,967** |
| **Total liabilities** | **6,586,282** |
| **Equity** | |
| Issued capital | 17,987,987 |
| Share based payment reserve | 10,652 |
| Retained profits/(loss) | (363,784) |
| **Total equity** | **17,634,855** |

### Contingent liabilities

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

### Capital commitments – Property, plant and equipment

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

### Significant accounting policies

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

## Note 26. Business combinations

On 15 January 2020, COSOL Limited acquired 100% of the ordinary shares of COSOL Australia Pty Limited for the total consideration of $ 20,513,125. The amount is settled by COSOL Limited through issuance of shares amounting to $ 4.5 million, cash consideration amounting to $ 9 million and assumed earn out consideration $6.5 million plus working capital adjustment of $513,125.

The acquisition resulted in goodwill of $18,209,183 to be recognised in consolidated financial statement. The acquired business contributed revenues of $11.68 million and profit after tax of $ 1.87 million to the consolidated entity for the period from 16 January 2020 to 30 June 2020. Since COSOL Australia Pty Limited has history of profitable operation therefore no impairment is expected to arise on goodwill recognised in the consolidated financial statement.

Details of the acquisition are as follows:

| | Fair value<br>$ |
|---|---|
| Cash and cash equivalents | 165,332 |
| Trade and other receivables | 3,462,191 |
| Deferred tax asset | 149,050 |
| Prepayments and other receivables | 108,500 |
| Property, plant and equipment | 75,289 |
| Right of use assets | 498,808 |
| Deposits | 61,440 |
| Trade and other payables | (302,772) |
| Income tax | (248,973) |
| Provisions | (349,532) |
| Lease liability – current | (101,532) |
| Lease liability – non current | (370,109) |
| Accrued and other liabilities | (843,750) |
| **Net assets acquired** | **2,303,942** |
| Goodwill | 18,209,183 |
| **Acquisition-date fair value of the total consideration transferred** | **20,513,125** |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 20,513,125 |
| Less: cash and cash equivalents | (165,332) |
| Less: issuance of ordinary shares | (4,500,00) |
| Less: deferred consideration | (6,500,00) |
| **Net cash used** | **9,347,793** |

## Note 27. Interests in subsidiaries

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

| Name | Principal place of business/ Country of incorporation | 2020 % |
|---|---|---|
| COSOL Australia Pty Limited | Australia | 100.00% |

## Note 28. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 10 August 2020 COSOL issued 1,525,000 unquoted options to employees of the consolidated entity under an employee incentive scheme.

The consolidated entity has secured $6,500,000 in funding from Bankwest. The funding is compromised of a term debt facility of $3,000,000 and multi option facility for $3,250,000 and corporate credit cards for $250,000.

## Note 29. Reconciliation of profit after income tax to net cash from operating activities

| | 2020 $ |
|---|---|
| Profit after income tax expense for the period | 1,506,412 |
| Adjustments for: | |
| Depreciation and amortisation | 94,434 |
| Share-based payments | 10,652 |
| Change in operating assets and liabilities: | |
| Decrease/(Increase) in trade and other receivables | (559,223) |
| Decrease/(Increase) in prepayments and other receivables | (80,766) |
| Increase/(Decrease) in trade and other payables | 1,154,762 |
| Increase/(Decrease) in provision for income tax | (42,572) |
| Increase in other provisions | 124,204 |
| Increase in other operating liabilities | 553,998 |
| **Net cash from operating activities** | **2,923,433** |

## Note 30. Earnings per share

### Earnings per share for profit from continuing operations

| | |
|---|---|
| Profit after income tax | 1,506,412 |
| Profit after income tax attributable to the owners of COSOL Limited | 1,506,412 |
| Basic earnings per share | 2.09 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 72,073,171 |

## Note 31. Share-based payments

On 24 April 2020, an offer to participate in the COSOL Limited employee option plan was offered to Mr McGowan. The key items are summarised below.

| Scott McGowan – unquoted options | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Grant Date | 24 April 2020 | 24 April 2020 | 24 April 2020 |
| Expiry Date | 15 October 2021 | 15 October 2022 | 15 October 2023 |
| Share Price at Grant Date | $0.30 | $0.30 | $0.30 |
| Exercise Price | $0.3625 | $0.415 | $0.415 |
| Vesting Conditions | See below | See below | See below |
| Number Granted | 1,200,000 | 900,000 | 900,000 |
| Total Fair Value | $20,264 | $28,812 | $25,500 |
| Remuneration Expense – 2020 | $2,478 | $2,247 | $1,396 |
| Remuneration Expense – 2019 | – | – | – |

The key terms, including performance conditions, of the options granted to Mr McGowan are detailed below.

- Vesting:

  **Tranche 1:** 1,2000,000 vest on 21/8/2021 (FY21), exercisable from 1/9/2021

  **Tranche 2:** 900,000 vest on 21/82022 (FY22), exercisable from 1/9/2022

  **Tranche 3:** 900,000 vest on 21/8/2023 (FY23), exercisable from 1/9/2023

  Any options which do not vest will automatically lapse.

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

- Claw-back:

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

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

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

# Directors' Declaration

1. In the opinion of the Directors of COSOL Limited:

   (a) the financial statements and notes that are set out on pages 25 to 53 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the COSOL Limited's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

   (b) there are reasonable grounds to believe that COSOL Limited will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from those persons performing a chief executive function and a chief financial officer function for the financial year ended 30 June 2020.

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

**Geoff Lewis**
Chairman

25 August 2020

# Independent Auditor’s Report

to the shareholders of COSOL Limited

ELDERTON
AUDIT PTY LTD

## Independent Auditor's Report to the members of COSOL Limited

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of COSOL Limited (“the Company”) and its subsidiaries (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

**Basis for Opinion**

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

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

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

**T** 08 6555 9500 **E** info@eldertongroup.com **A** Level 2, 267 St Georges Terrace, Perth WA 6000
**F** 08 6555 9555 **W** www.eldertongroup.com **P** PO Box 983 West Perth WA 6872

**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. We have determined the matter described below to be key audit matters to be communicated in our report.

Revenue recognition

Refer to Total Revenue ($11,668,928), Note 3 (Revenue) to the financial report

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

Business Combination

Refer to Note 26 (Business combinations) to the financial report

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| Business combination during the period is a key audit matter due to the:<br><br>• Significant audit effort and judgement we have applied in assessing the Group's recognition and measurement of investment in subsidiary and goodwill; and<br><br>• The degree of estimation involved in measurement of fair values of the net assets of subsidiary as at the date of acquisition and also due to complex calculations involved as at that date as per AASB 3 *Business Combinations*. | Our audit work included, but was not restricted to, the following:<br><br>• We have reviewed the share purchase agreement in order to the understand the terms and conditions of the business combination along with the consideration paid or to be paid.<br><br>• We reviewed the accounting treatment as at acquisition and ensured the investment in subsidiary and related goodwill is correctly calculated and recorded in the books.<br><br>• We selected on systematic basis the samples of revenue and expenses as at acquisition date and tested the samples to related customer's invoices and other supporting documents to ensure proper cut off has been applied in calculating the net assets as at acquisition date.<br><br>• We have verified assets and liabilities of subsidiary at the at acquisition date and ensured that these are accounted accurately for calculation of net assets.<br><br>• We assessed the compliance and adequacy of the disclosure in the financial report as per requirements of AASB 3. |

**Other Information**

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

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

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

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

**Responsibilities of Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current 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**

We have audited the Remuneration Report of the directors' report for the period ended 30 June 2020. The directors of the COSOL Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of COSOL Limited for the period ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Elderton Audit Pty Ltd

**Elderton Audit Pty Ltd**

Nicholas Hollens

**Nicholas Hollens**
**Managing Director**

25 August 2020

# Shareholder and Other Information



Additional information required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below. This information is current as at 31 July 2020.

## Securities on Issue

| | Shares | | Options | |
|---|---|---|---|---|
| | Number | Holders | Number | Holders |
| 1 to 1,000 | 25,561 | 37 | | |
| 1,001 to 5,000 | 405,924 | 154 | | |
| 5,001 to 10,000 | 598,859 | 75 | | |
| 10,001 to 100,000 | 6,138,571 | 169 | | |
| 100,001 and over | 120,331,085 | 79 | 5,000,000 | 2 |
| **Total** | **127,500,000** | **514** | **5,000,000** | **2** |

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

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

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

A total of 67,500,000 ordinary shares are subject to voluntary escrow until 24 January 2021. There are no securities on issue subject to ASX imposed escrow.

## Substantial Holders

Shareholders which have lodged a substantial holding notice to declare a relevant interest in fully paid ordinary shares of more than 5% are detailed below.

| Holder | Shares | % |
|---|---|---|
| COSOL Limited[1] | 67,500,000 | 52.94% |
| Mr Geoffrey James Lewis and Mrs Anne Marie Lewis | 24,250,000 | 19.02% |
| Mr Stephen Edward Johnston and Mrs Sarah Johnston | 24,250,000 | 19.02% |
| Mr Bradley Ronald Skeggs | 8,975,000 | 7.04% |
| Microequities Asset Management Pty Ltd | 8,500,000 | 6.67% |

1 COSOL technically holds a relevant interest in itself because of the number of fully paid ordinary shares subject to voluntary escrow exceeds 20% of the ordinary shares on issue.

## Top 20 Holders

| | Holder | Shares | % |
|---|---|---|---|
| 1 | GEOFF LEWIS & ANNEMARIE LEWIS | 24,250,000 | 19.02 |
| 2 | STEVEN JOHNSTON & SARAH JOHNSTON | 23,000,000 | 18.04 |
| 3 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 8,034,874 | 6.30 |
| 4 | BRADLEY SKEGGS | 6,975,000 | 5.47 |
| 5 | GREGORY ROBERT WOOD & JANETTE HELEN WOOD | 6,003,000 | 4.71 |
| 6 | ZERO NOMINEES PTY LTD | 5,468,897 | 4.29 |
| 7 | NATIONAL NOMINEES LIMITED | 5,381,809 | 4.22 |
| 8 | BNP PARIBAS NOMS PTY LTD <DRP> | 5,000,000 | 3.92 |
| 9 | SNJ BUSINESS SOLUTIONS PTY LTD | 4,500,000 | 3.53 |
| 10 | GERALD PETER STRAUTINS | 3,000,000 | 2.35 |
| 11 | GRANT PESTELL | 2,500,000 | 1.96 |
| 12 | BRADLEY RONALD SKEGGS & TOM BRADLEY SKEGGS | 2,000,000 | 1.57 |
| 13 | WAIHEKE HOLDINGS PTY LTD | 2,000,000 | 1.57 |
| 14 | MARK DAMIAN COOPER | 1,795,500 | 1.41 |
| 15 | CASPANA PTY LTD | 1,586,250 | 1.24 |
| 16 | CITICORP NOMINEES PTY LIMITED | 1,326,510 | 1.04 |
| 17 | JOHNSTON CO PTY LTD | 1,250,000 | 0.98 |
| 18 | CHRISTINE SKEGGS | 1,230,750 | 0.97 |
| 19 | ICE COLD INVESTMENTS PTY LTD | 1,207,000 | 0.95 |
| 20 | IAN ALEXANDER WOOLSEY & CLAUDIA GONZALEZ | 1,000,000 | 0.78 |

The twenty registered shareholders with the largest holdings of ordinary shares together held a total of 107,509,590 shares, comprising 84.32% of the fully paid ordinary shares on issue.

## Other

There is no current on-market buy-back.

There are no issues of securities which have been approved for the purposes of item 7 section 611 of the *Corporations Act 2001*.

No securities were purchased on-market for the purposes of an employee incentive scheme during the reporting period.

Also see information contained in the Corporate Directory.

# Corporate Directory



## Directors

**Geoffrey Lewis** – Non-Executive Chairman

**Stephen Johnston** – Non-Executive Director

**Grant Pestell** – Non-Executive Director

**Gerald Strautins** – Non-Executive Director

## Company Secretary

**Ben Secrett** – Company Secretary

## Key Management

**Scott McGowan** – Chief Executive Officer,
COSOL Australia Pty Ltd

## Registered Office

C/– Murcia Pestell Hillard Lawyers
Suite 183, Level 6, Equus Complex
580 Hay Street
Perth WA 6000

## Principal Place of Business

COSOL House
Level 3, 201 Leichhardt Street
Spring Hill QLD 4000

Telephone: +61 7 3129 3341
Email: info@COSOL.com.au

## Website

www.COSOL.com.au

## Auditors

**Elderton Audit Pty Ltd**

Level 2, 267 St George's Terrace
Perth WA 6000

## Solicitors*

**Murcia Pestell Hillard Lawyers**

Suite 183, Level 6, Equus Complex
580 Hay Street
Perth WA 6000

## Share Registry*

**Link Market Services Limited**

QV1 Building
Level 12, 250 St George's Terrace
Perth WA 6000

Post: Locked Bag A14,
Sydney South NSW 1235

Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

## Stock Exchange Listing

Australian Securities Exchange – ASX: COS
www.asx.com.au

## Incorporation

Incorporated in Australia as a public company limited by shares

ACN: 635 371 363
ABN: 66 635 371 363

* These entities are included for information purposes only, and neither have been involved in the preparation of this Annual Report.