



Tapp Group Limited

ABN 66 166 637 323



Annual Report - 31 December 2020



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tapp Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

Directors

The following persons were directors of Tapp Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Jitto Arulampalam
- Jeroen van Son
- George Marantika
- Bettina Evert (appointed 1 August 2019 and resigned 7 February 2020)
- Theo Hnarakis (appointed 1 August 2019 and resigned 7 February 2020)
- Jason Wang (appointed 23 May 2020)

Directors' meetings

Director	Number of Meetings in Attendance	Number of Meetings held during time the director held office
Jitto Arulampalam	12	12
Jeroen van Son	12	12
George Marantika	11	12
Bettina Evert	1	1
Theo Hnarakis	1	1
Jason Wang	10	10

Bettina Evert – NON-EXECUTIVE CHAIR

Bettina Evert is an experienced board director and chair with over 30 years of legal and business experience. She is currently Chair of the Executive Committee, Litigation Section, of the Law Institute of Victoria and Member of the CAANZ Professional Conduct Committee. Previously, she served as the Chair and Non-Executive Director of Money3 Limited (ASX:MNY). Bettina is currently a Special Counsel at SLF Lawyers, and previously a partner at Holman Webb, at Fetter Gdanskis and Molomby & Molomby.

Bettina was appointed as a Non-executive Chair on 1 August 2019 and resigned 7 February 2020

George Marantika – NON-EXECUTIVE DIRECTOR

George Iwan Marantika is a senior business advisor with experience in cross border relationships. George is the President of the Indonesia-Australia Business Council of Yogyakarta and the Acting Chairman of the Australia Bilateral Committee in the Indonesian Chamber of Commerce and Industry. He is actively involved in developing the Indonesia Australia Comprehensive Partnership Agreement and previously consulted to the World Bank.

George was appointed as a Non-executive Director on 25 April 2019

Jeroen van Son – NON-EXECUTIVE DIRECTOR

Jeroen van Son is an international leader with over 23 years' experience in global digital payments, financial services and loyalty marketing. Jeroen has deep and broad domain expertise in electronic payments and a strong global network in global payments and consumer financial services, having held senior executive and general manager positions at MasterCard, eBay/PayPal, Westpac and Virgin Australia.

Jeroen was appointed as a Non-executive Director on 25 April 2019



Jitto Arulampalam – NON-EXECUTIVE CHAIRMAN (FORMERLY CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR, AND EXECUTIVE CHAIRMAN)

Mr. Indrajit Solomon Arulampalam, also known as Jitto, has significant corporate, financial and management experience with over 15 years of extensive corporate restructuring skills developed through several turnaround situations. Having started his career in accounting, he spent more than 8 years with Westpac Banking Corporation in several key operational and strategic roles and has since held numerous Chief Executive Officer, Director and Executive Chairman roles spanning multiple industries.

Jitto was appointed to the board on 28 July 2017 and assumed position as Chief Executive Officer and Managing Director on 20 June 2019 until 22 April 2020, and assumed position as Executive Chairman on 22 April 2020 until 30 June 2021, and assumed position as Non-Executive Chairman on 1 July 2021.

Theo Hnarakis –NON-EXECUTIVE DIRECTOR

Theo Hnarakis is a senior executive in technology, global growth and brand management. He served as the Chair of Crowd Media Holdings Ltd (ASX:CM8) and Dropsuite Ltd (ASX:DSE), as well as Non-Executive Director of Provenir. Theo previously served as the Chief Executive Officer of Melbourne IT Ltd (ASX:ARQ), an Australian Internet company for 11 years and advised the Board of Infomedia Pty Ltd (ASX:IFM) in 2015 on their international expansion.

Theo was appointed as a Non-executive Director on 1 August 2019 and resigned 7 February 2020

Jason Wang – CHIEF EXECUTIVE OFFICER

Jason Wang been involved with property, FMCG and trade business for over 15 years with a deep focus on creating economic value through the provision of innovative, commercial solutions. Having built his business from scratch and successfully completing over \$500M project value. This success has allowed him to provide expertise in providing businesses with sustainable solutions for building, developing and maintaining strong relationships between stakeholders to ensure positive outcomes, especially in the Asia and SouthEast Asia markets.

Jason was appointed as a Non-executive Director on 23 May 2020, then appointed to Chief Executive Officer on 21 September 2020

Principal activities

The consolidated entity has developed and launched a secure global payments and transactional technology platform and digital currency that aims to provide under-served markets with transaction services. During the reporting period, all of the consolidated entity's revenues were derived from its operations in Indonesia.

Dividends

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



Review of operations and significant changes in the state of affairs

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$3,757,699 (31 December 2019: \$4,887,149).

2020 was dominated by the global Covid-19 pandemic. In Indonesia, after an initial economic shock and uncertainty, business activity stabilised although the economy contracted 2% for the full year; the first contraction for more than 2 decades. Nonetheless demand for Tapp's core digital products of prepaid airtime and electricity were stable as they are household essentials in Indonesia and some product line sales increased as demand increased in some segments due to work-from-home (WFH) arrangements.

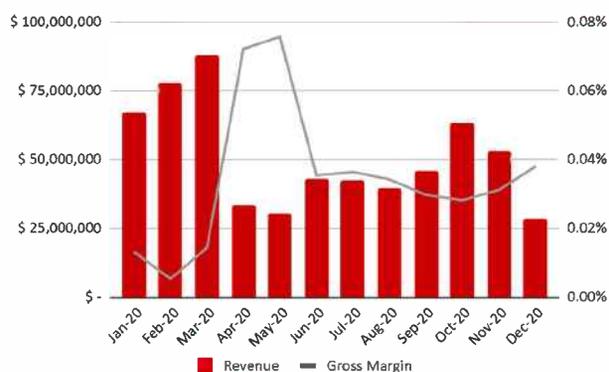
Tapp itself moved to WFH arrangements progressively starting February 2020 with the entire Indonesian and Australian teams fully working remotely from March 2020. This transition was smooth as the company followed its pre-existing business continuity plan for such a scenario. Unfortunately, conditions in H1 20 forced the company to act quickly to reduce costs and overheads, and the deep cost cutting impacted the Indonesian team significantly seeing the team including the field sales force cut by two-thirds to less than 50 people. This necessarily put a brake on the implementation of growth activities in sales, marketing, product sourcing, launch of new services and development of new features.

However, at the same time the company acted fast to change the business model to allow both wholesale and retail agents to buy products through Tapp at a more transparent price. This enabled direct marketing costs to be reduced by over \$2M AUD. The company also reoriented efforts to support its core of active and lucrative customers. Thus while monthly revenue including wholesale decreased about two-thirds from March to December 2020 and Retail Gross Profit decreased around one-third and Retail Monthly Active Users (MAU) returned to the pre-pandemic level by December. Both Retail Gross Profit and MAU finished the year on an upward trend. As the economy and the company's financial position stabilised the year also ended with new products and revenue streams in advanced development in preparation for launch in early 2021.

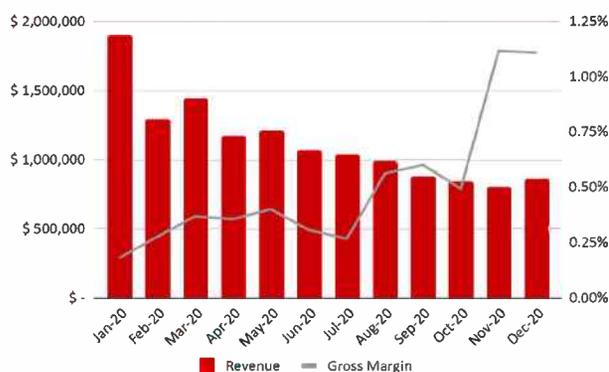
Monthly Active Users



Wholesale Performance



Retail Performance





Opportunity can emerge from adversity, and many Indonesians adapted to the pandemic circumstances by establishing new micro businesses, a trend which was supported by the Indonesian government through programs reaching almost 10 million micro-SMEs (MSMEs) including grants, loans and other support. MSMEs have long been the core of Tapp's business model and in response Tapp further developed new MSME value propositions and strategic partnerships.

In Q4 the company launched a new acquisition drive targeting known loyal and lucrative MSME profiles across Java which saw monthly acquisition rates pick up by a factor of almost 10 by December after a mid-year slow down. Central to this program was the collection of rich, verified customer data which will feed into the development of big data driven revenue streams from new products and services like micro BNPL. The year ended with 161.3k agents.

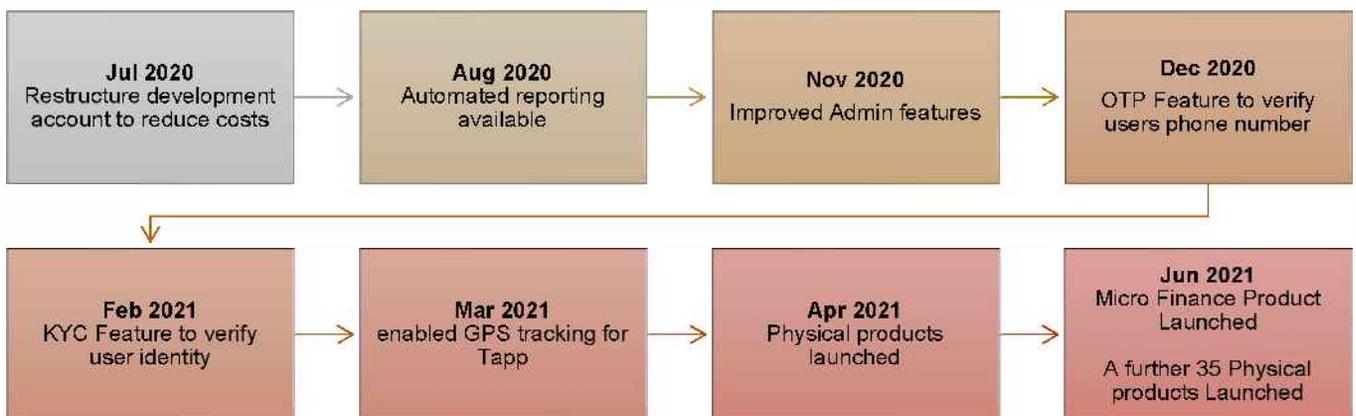


The company's Melbourne-based team endured over 100 days of hard lockdown which was lifted by the end of the year. However, Indonesia continues to cycle between harder and lighter restrictions on business and social activity in response to the changing pandemic situation.

In spite of this the Tapp team has produced like for like results compared to 2019 including:

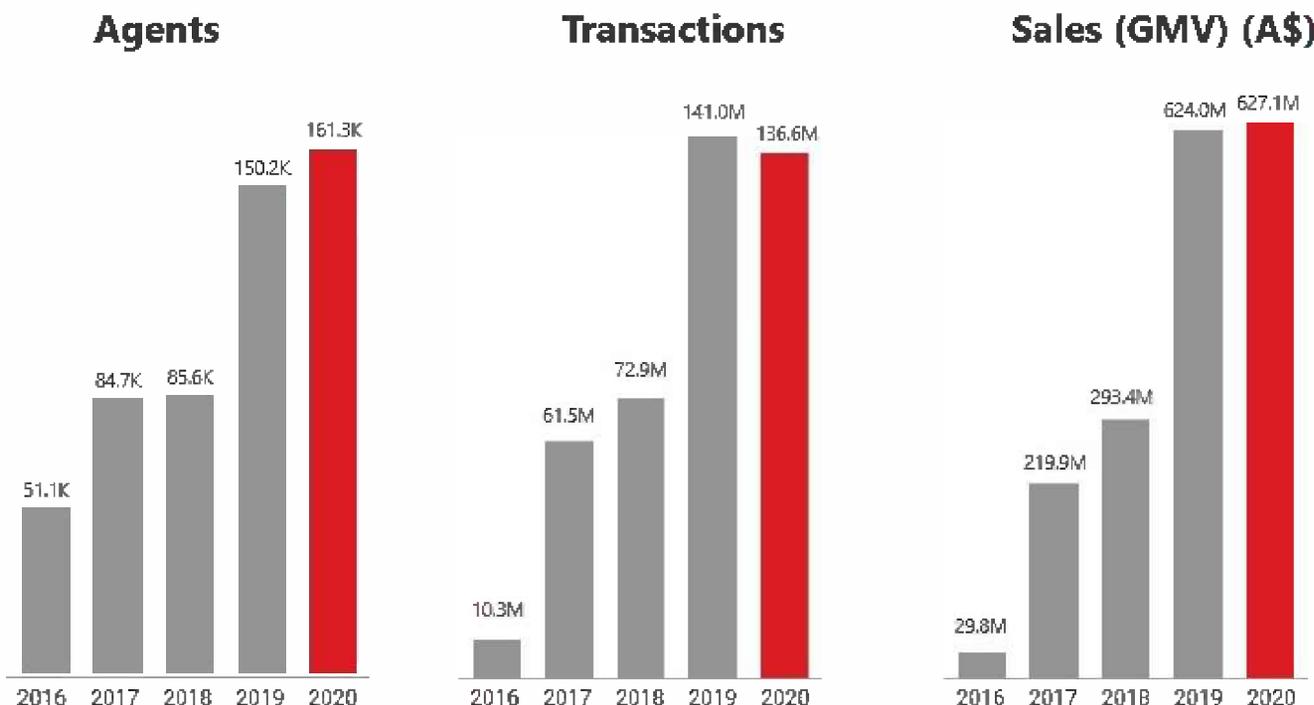
- Decreasing net loss/net margin for 2020 to -0.611% compared to 2019 at -1.53%.
- Increasing sales revenue (GMV) from AUD \$624m to \$627m.

Our IT team has also been busy releasing the following features:





Tapp's Agent network processes more than **136M** transactions work over **A\$627M** per year



The above report includes a number of non-International Financial Reporting Standards (IFRS) financial measures. Management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources.

Matters subsequent to the end of the financial year

Financing and Changes in Capital

Subsequent to 31 December 2020, the consolidated entity continued raising capital through either directly issuing ordinary shares or through new convertible notes. As at the date of this report, the Company has raised \$380,000 via issuing shares at \$0.025, \$500,000 via a loan with maturity in August 2021.;

The company successfully converted \$2,341,468.67 of convertible notes to shares at \$0.025

To fund continued operations the Company is currently planning for a further \$3,000,000 at \$0.05 cents per share which is expected to complete in July 2021.

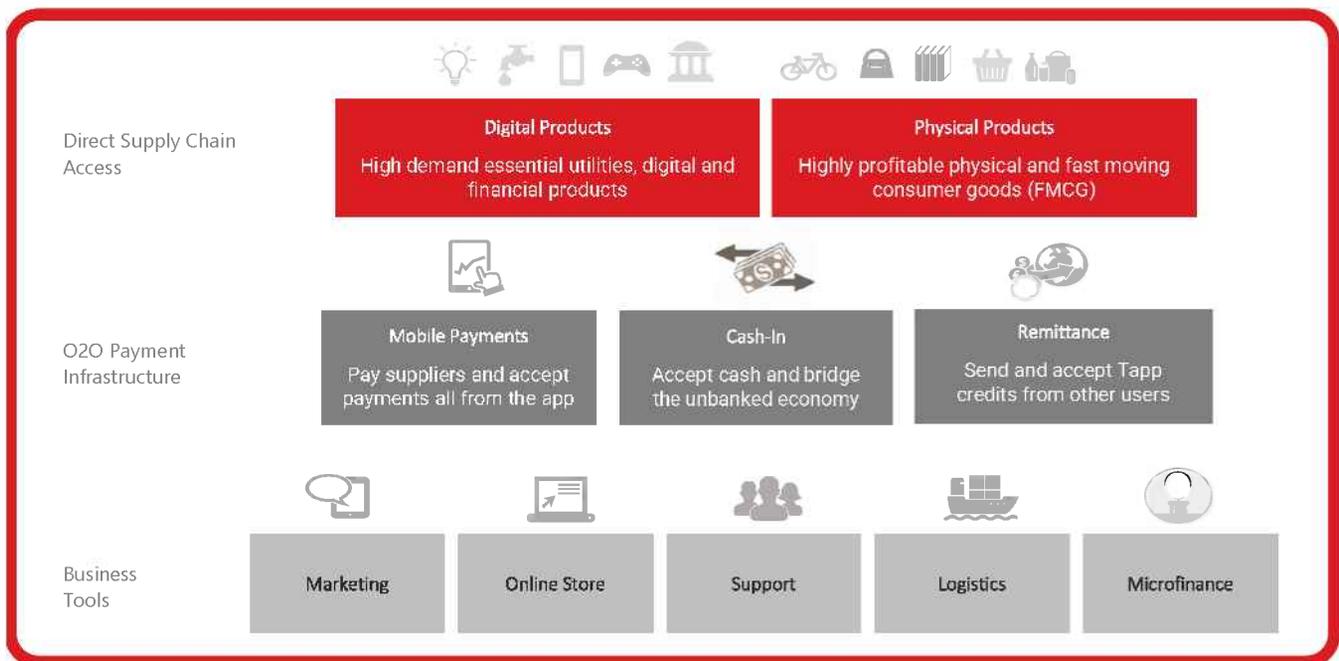
Due to the Covid Impact and market uncertainty, the IPO roadmap will be reassessed during the later half of 2021. Immediate focus is now on growing the fundamentals and profitability of the business.



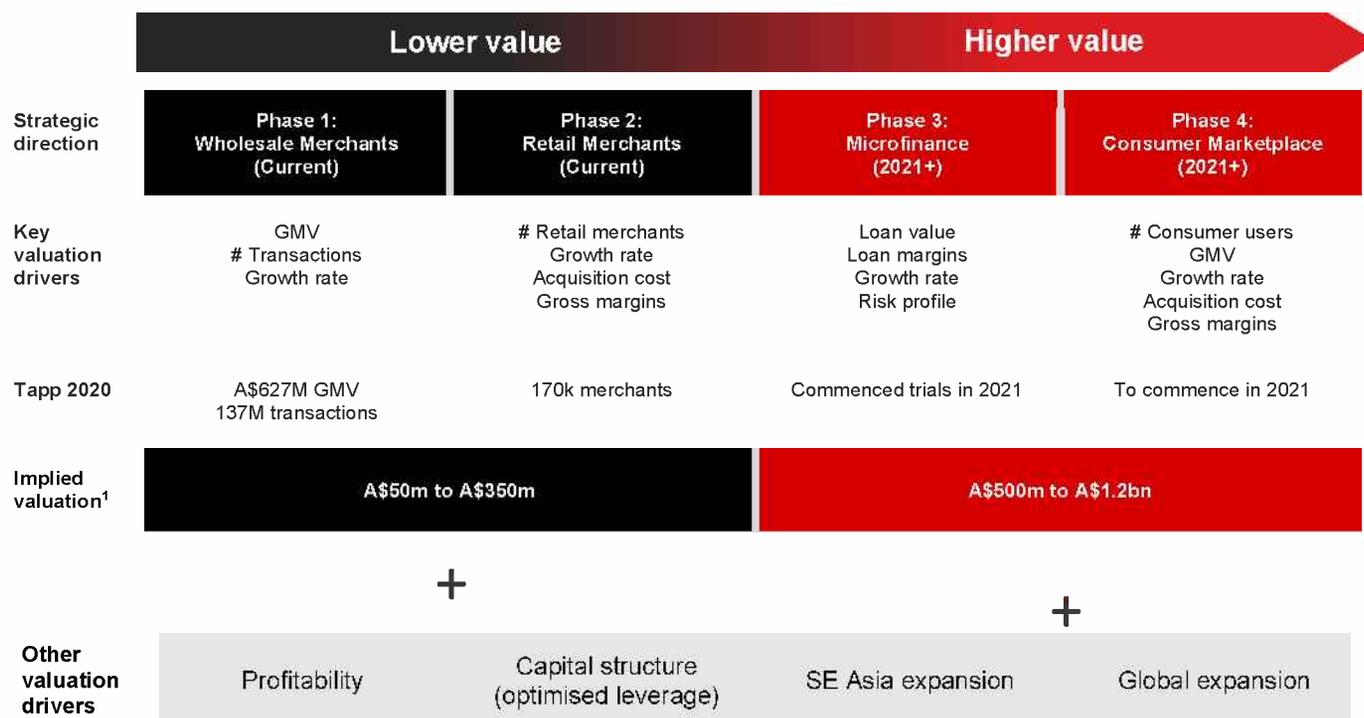
Operational Performance

In 2020 surveys and analysis of our Merchant network and the unbanked community revealed that access to financial products was not the only roadblock faced by the community but there was a critical demand for opportunities to improve their financial circumstances (ie to make more money). Realising that improved access alone was not enough for the MSME and unbanked community that Tapp addresses, meaning that they did not just need a 'road' but also their own 'vehicles' to run on it, the company was able to focus on developing its ecosystem to address ready-to-launch micro-business opportunities for a wide range of MSME and consumer segments, from the core retail merchants to independent ride-share drivers to local community groups and their members. Coincidentally, after Tapp had validated our own conclusions in the market, the World Bank published a report with findings which underscored this, including that the number 1 reason for someone not to have a bank account is due to lack of money. So, as the community needs more than financial services or better access, the ability for a wide range of community members with different capabilities and resources to be able to generate more disposable income is the critical issue to be addressed. As this is a far more difficult problem to solve than putting 'yet another app' in someone's hand it has been inadequately addressed by governments and competitors leaving a gap for Tapp to fill.

Among the solutions engineered by Tapp is business-in-a-box. Tapp offers micro-merchants a business in a box solution with O2O tools and direct access to suppliers. Going beyond just rapid setup and onboarding, this is the reason so many Tapp merchants use the app everyday, and this symbiotic relationship is how Tapp is differentiated from other offerings, many of which focus on single solutions such as how to “bank the unbanked” and how to “make money from the unbanked”. The Tapp team has and continues to explore, validate and create new ways to create value to enable individual and micro-businesses to build new revenue and grow or diversify their income. Tapp relies on these merchants to help build a unique and widely distributed network to interface with the unbanked and in turn the merchants rely on Tapp to provide them with reliable products and technology solutions, so they get more disposable income.



Our revenue streams in the coming years will be more diverse and in 2021 we have successfully launched physical product ecommerce and micro-finance lending (BNPL) divisions on top of our existing digital payment divisions. We expect to see continued strong competition in the wholesale business especially following our pull back on marketing and promotion spend in this sector as we responded to the new pandemic conditions. We continue to execute on adaptations to our wholesale offering and organisation which deliver further advantages to the retail side of the business. The management team has shifted the focus towards building a strong retail business which can be leveraged to activate the high margin physical products and BNPL and other financial services.



Looking ahead, Indonesian ecommerce is the 11th largest market worldwide with revenue of US\$30 Billion placing it just behind Australia. With expected growth rate of 20% CAGR to 2024, we expect very fast growth in our ecommerce division aiming to achieve circa \$30M in 2022. Similarly, the Indonesian microfinance market which reached US\$8 Billion in 2020, and is expected to grow faster than 20% CAGR. Given that microfinance is still in the pilot stage, we are cautious in our forecast and aim only to get \$8M (0.1%) of the market share in 2021-22.

We expect the key market share drivers to be

- 1) Tapp's strong branding among the local population
- 2) Increased need for finance by our merchants in the regional cities and regional areas
- 3) The convenience and proven results of Tapp's "business in a box" and pre-designed package deals for ecommerce product, BNPL and other services
- 4) The enhanced BNPL loan performance derived from the high quality of Tapp's large and distributed network of verified merchants and consumers across Indonesia.
- 5) Tapp's big data capabilities and market-hardened management systems optimised to deal with the local preferences and behaviour of Indonesia's MSMEs and consumers.

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.

Environmental regulation

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

Indemnity and insurance of officers

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



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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Jorden van Son", written over a horizontal line.

Jorden van Son
Director

13 July 2021

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TAPP
GROUP LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 31
December 2020 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Dated this 13th day of July, 2021

ACCOUNTANTS & ADVISORS

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General information

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

Tapp Group Limited is an unlisted public company, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 21, 150 Albert Road South Melbourne VIC 3205

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 July 2021. The directors have the power to amend and reissue the financial statements.

Tapp Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020



	Note	Consolidated 2020 \$	2019 \$
Revenue			
Revenue from operations	3	614,561,163	327,116,392
Cost of sales		<u>(613,121,760)</u>	<u>(323,947,308)</u>
Gross profit		<u>1,439,403</u>	<u>3,169,084</u>
Interest revenue calculated using the effective interest method		2,573	1,501
Expenses			
Finance costs		(449,112)	(490,206)
Marketing	4	(1,153,319)	(3,310,189)
Occupancy		(96,726)	(139,852)
Administration and corporate	5	(3,215,574)	(3,244,591)
Research and development	5	<u>(221,059)</u>	<u>(570,203)</u>
Operating loss		(3,693,814)	(4,584,456)
Transaction and capital raising costs		<u>(63,885)</u>	<u>(421,446)</u>
Loss before income tax expense		(3,757,699)	(5,005,902)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year		(3,757,699)	(5,005,902)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(109,949)</u>	118,753
Other comprehensive income for the year, net of tax		<u>(109,949)</u>	118,753
Total comprehensive income for the year		<u><u>(3,867,648)</u></u>	<u><u>(4,887,149)</u></u>
Loss for the year is attributable to:			
Non-controlling interest		-	(134,825)
Owners of Tapp Group Limited		<u>(3,757,699)</u>	<u>(4,871,077)</u>
		<u><u>(3,757,699)</u></u>	<u><u>(5,005,902)</u></u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	(134,825)
Owners of Tapp Group Limited		<u>(3,867,648)</u>	<u>(4,752,324)</u>
		<u><u>(3,867,648)</u></u>	<u><u>(4,887,149)</u></u>

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

Tapp Group Limited
Statement of financial position
As at 31 December 2020



	Note	Consolidated	
		2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		141,895	380,904
Trade and other receivables		53,510	46,096
Inventories		11,008	2,541
Prepayments and other assets	6	410,862	683,001
Total current assets		<u>617,275</u>	<u>1,112,542</u>
Non-current assets			
Property, plant and equipment		<u>26,832</u>	<u>36,733</u>
Total non-current assets		<u>26,832</u>	<u>36,733</u>
Total assets		<u>644,107</u>	<u>1,149,275</u>
Liabilities			
Current liabilities			
Trade and other payables	7	1,452,009	850,252
Borrowings	8	3,854,004	2,358,252
Deposits received from agents		415,150	959,085
Total current liabilities		<u>5,721,163</u>	<u>4,167,589</u>
Total liabilities		<u>5,721,163</u>	<u>4,167,589</u>
Net liabilities		<u>(5,077,056)</u>	<u>(3,018,314)</u>
Equity			
Issued capital	9	21,954,830	20,311,856
Reserves	10	53,764	(2,219)
Accumulated losses		<u>(27,085,650)</u>	<u>(23,327,951)</u>
Total deficiency in equity		<u>(5,077,056)</u>	<u>(3,018,314)</u>

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

Tapp Group Limited
Statement of changes in equity
For the year ended 31 December 2020



	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total deficiency in equity \$
Consolidated					
Balance at 1 January 2019	12,869,762	(55,708)	(17,809,109)	(512,940)	(5,507,995)
Loss after income tax expense for the year	-	-	(4,871,077)	(134,825)	(5,005,902)
Other comprehensive income for the year, net of tax	-	118,753	-	-	118,753
Total comprehensive income for the year	-	118,753	(4,871,077)	(134,825)	(4,887,149)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	6,891,649	(65,264)	-	-	6,826,385
Settlement of purchase of shares of Indonesian entities through internal restructure	-	-	(647,765)	647,765	-
Vesting of share-based payments	550,445	-	-	-	550,445
Balance at 31 December 2019	<u>20,311,856</u>	<u>(2,219)</u>	<u>(23,327,951)</u>	<u>-</u>	<u>(3,018,314)</u>
Consolidated					
Balance at 1 January 2020	20,311,856	(2,219)	(23,327,951)	-	(3,018,314)
Loss after income tax expense for the year	-	-	(3,757,699)	-	(3,757,699)
Other comprehensive income for the year, net of tax	-	(109,949)	-	-	(109,949)
Total comprehensive income for the year	-	(109,949)	(3,757,699)	-	(3,867,648)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	1,642,974	-	-	-	1,642,974
Vesting of share-based payments	-	165,932	-	-	165,932
Balance at 31 December 2020	<u>21,954,830</u>	<u>53,764</u>	<u>(27,085,650)</u>	<u>-</u>	<u>(5,077,056)</u>

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

Tapp Group Limited
Statement of cash flows
For the year ended 31 December 2020



	Note	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		674,320,025	357,186,025
Payments to suppliers and employees (inclusive of GST)		<u>(676,940,146)</u>	<u>(361,955,300)</u>
		(2,620,121)	(4,769,275)
Interest received		2,573	1,501
Interest and other finance costs paid		<u>(220,355)</u>	<u>-</u>
Net cash used in operating activities	18	<u>(2,837,903)</u>	<u>(4,767,774)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>-</u>	<u>(24,547)</u>
Net cash used in investing activities		<u>-</u>	<u>(24,547)</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	725,500	3,491,603
Proceeds from borrowings		2,125,820	1,672,017
Repayment of borrowings		<u>(275,208)</u>	<u>-</u>
Net cash from financing activities		<u>2,576,112</u>	<u>5,163,620</u>
Net increase/(decrease) in cash and cash equivalents		(261,791)	371,299
Cash and cash equivalents at the beginning of the financial year		380,904	17,890
Effects of exchange rate changes on cash and cash equivalents		<u>22,782</u>	<u>(8,285)</u>
Cash and cash equivalents at the end of the financial year		<u><u>141,895</u></u>	<u><u>380,904</u></u>

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



Note 1. Significant accounting policies

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

New or amended accounting standards and interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention and apply the going concern basis of accounting.

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 16.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tapp Group Limited ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the year then ended. Tapp Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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 Tapp Group Limited's functional and presentation currency.



Note 1. Significant accounting policies (continued)

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from electricity contracts with customers and goods sold

Revenue is recognised at a point in time and the amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For the sale of electricity to customers, the consolidated entity identifies the contract with a customer (the purchase of electricity tokens); identifies the performance obligations in the contract (delivery of electricity); determines the transaction price which takes into account estimates of variable consideration and the time value of money (set independently by the consolidated entity); and recognises revenue when or as each performance obligation is satisfied (delivery of electricity and usage by customers).

It is noted that the consolidated entity holds the risk of the electricity purchased from the wholesaler with an issues arising with customers to be resolved by the consolidated entity as opposed to the wholesaler. As such, the consolidated entity transacts as a principal, dealing directly with both suppliers and customers and bearing risk including settlement, credit and performance risk, for which it is compensated through a margin on its transactions. The consolidated entity recognises revenue on a gross basis on satisfaction of its performance obligation, that is at a point in time on completion of the underlying sale to the customer. The cost of purchasing the electricity is also recognised as a cost of good sold (COGS).

Similarly to the sale of electricity, the consolidated entity recognises revenue at a point in time for the sale of inventory. The consolidated entity holds the risk of the inventory purchased from wholesalers which are re-branded under the Tapp name, prior to the sale to customers. As such, the consolidated entity transacts as a principal with revenue recognised on a gross basis with a corresponding cost of good sold to recognise the value of the inventory sold.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

Rendering of services revenue from merchants from applying agent deposit services is earned on a commission basis and at a point in time when products and services are purchased by the deposit holder from the merchant. The date of purchase is referable to the date that the deposit holder authorizes the transfer of cash consideration to the merchant. As the consolidated entity is operating as an agent for such transactions, revenue is recognised on a net basis.

Interest

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



Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

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.

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.

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.



Note 1. Significant accounting policies (continued)

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Trade and other payables

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

Borrowings

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

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 years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Employee benefits

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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.



Note 1. Significant accounting policies (continued)

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

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

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

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

Share-based payments

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

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

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

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

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

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

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

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

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



Note 1. Significant accounting policies (continued)

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

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

Issued capital

Ordinary shares are classified as equity.

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

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

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

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

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

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

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. None of these new Standards and Interpretations are expected to materially impact the results of the consolidated entity.

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.

Convertible notes

During the year the Company issued convertible notes with variable equity conversion terms. Given that the Company is yet to trade its securities in a quoted market, the Directors have concluded that the most reliable evidence of fair value for both the equity conversion terms and of the underlying fair value of the debt instrument is the consideration received for the issue of those notes.



Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

During the year the Company settled outstanding financing liabilities and amounts owing to suppliers and employees through the issue of ordinary fully paid shares. The dilutive impact of these issues of shares has been recorded at fair value, being the prevailing price for seed capital raising activities taking place on or around the date of issue of those shares, which is equivalent to the grant date.

The company 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 taking into account the terms and conditions upon which the instruments were granted and the probability of achievement of the performance conditions. 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.

The non-completion of performance criteria relating to the vesting of performance shares would result in the redemption of outstanding performance shares by the Company for \$1.00.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry-forward losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Presently the consolidated entity has incurred losses from its operations in all tax jurisdictions that may be potentially available to be applied against assessable income in the future. Given the uncertainty as to when or if this occurs, the directors have decided not to recognise any deferred tax assets that may be represented by those losses.

Going concern basis of accounting

For the year ended 31 December 2020 the consolidated entity reported a loss from operations of \$3,757,699, net cash outflow from operations of \$2,837,903 and its current liabilities exceeded current assets by \$5,103,888. The Company has incurred losses since inception and we anticipate that we will continue to incur losses in the short term as a result of continued operating expenses and the increased competitive landscape that the Company operates in. Notwithstanding this, the directors continue to hold that the consolidated entity can continue to apply the going concern basis for accounting based upon expectations that they have forecast for in their cashflow forecast, including:

- a) Continuing the consolidated entity's record of raising capital through either directly issuing ordinary shares or through new convertible notes. As at the date of this report, the entity has raised a further \$1M and is undertaking a capital raising program for which it will receive subscription funds of \$3,000,000 (subject to over subscription);
- b) Continuing to negotiate with its convertible note holders into 2021 the Company successfully converted \$2,341,468.67 of its debt funding and \$1,137,141.77 of its trade payables to ordinary shares. The conversion demonstrates the confidence by the Company's funders in its ongoing operations and bright future outlook for the Company.
- c) Tapp has negotiated with its key creditors on payment terms to a mutually beneficial outcome.

Due to these reasons, the directors continue to hold that the company can pay its debts as and when they fall due and payable and as a consequence, these financial statements are prepared applying the going concern basis of basis of accounting and therefore no adjustments are considered necessary to the recoverability and classification of recorded assets and liabilities were this going concern basis of accounting not applied.

Revenue Recognition

Revenue has been recognised in line with significant accounting policy noted above



Note 3. Revenue

	Consolidated	
	2020	2019
	\$	\$
Revenue from sales	613,552,955	325,113,701
Revenue from commissions	857,974	2,001,494
Other revenue	150,234	1,197
	<u>614,561,163</u>	<u>327,116,392</u>

The Group's controlled entity, Tapp Digital Nusantara transacts as principal, dealing directly with both suppliers and customers and bearing risk including settlement, credit and performance risk, for which it is compensated through a margin on its transactions. The Group's Indonesian subsidiary, PT Tapp Technology Indonesia, provides services to Tapp Digital Nusantara and charges an inter-entity fee for this service. All sales transactions where Tapp Digital Nusantara acts as a principal is accounted for on a gross basis.

The consolidated entity has adopted AASB 15. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Note 4. Expenses - Marketing

	Consolidated	
	2020	2019
	\$	\$
Direct Marketing	1,046,403	3,080,079
Promotion	104,302	126,686
Advertising	2,614	103,424
	<u>1,153,319</u>	<u>3,310,189</u>

Note 5. Expenses - Administration and corporate

	Consolidated	
	2020	2019
	\$	\$
Employee benefits expense	2,769,608	2,413,407
Research and development expense	221,059	570,203
Administration costs and professional services	425,776	642,646
Depreciation and amortisation expense	9,171	17,389
Travel	11,019	171,149
	<u>3,436,633</u>	<u>3,814,794</u>



Note 6. Current assets - Prepayments and other assets

	Consolidated	
	2020	2019
	\$	\$
Prepayments	79,720	39,948
Deposits to suppliers	331,142	643,053
	<u>410,862</u>	<u>683,001</u>

Note 7. Current liabilities - Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	509,058	508,252
Amounts payable to directors and related parties	393,352	86,857
Accrued expenses and other payables	549,599	255,143
	<u>1,452,009</u>	<u>850,252</u>

Refer to note 11 for further information on financial instruments.

Note 8. Current liabilities - Borrowings

	Consolidated	
	2020	2019
	\$	\$
Loans from/(to) directors and director-related entities	454,908	30,031
Loans from investors and shareholders	678,647	696,333
Convertible notes from/(to) directors and director-related entities	985,637	426,146
Convertible notes payable	1,734,812	1,205,742
	<u>3,854,004</u>	<u>2,358,252</u>

Refer to note 11 for further information on financial instruments.

All above borrowing arrangements are maturing within 12 months and with fixed interest-bearing terms ranging from 8-20%. All the convertible notes payable are not repayable within 60 days. Convertible notes payable are convertible into ordinary shares ranging from 2.5 cents to 10 cents per share. Conversion may occur at the election of the noteholder at the earlier of an ASX listing, a capital raise of a set minimum amount or at their maturity. In regards to the latest convertible notes, the Company has the right to require conversion when the Company completes a capital funding round of at least A\$500,000 prior to the maturity date. No assets of the consolidated group have been pledged as security for any borrowings.



Note 9. Equity - Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	282,650,593	217,812,228	21,954,830	20,311,856
Employee performance shares	32,000,000	24,571,426	-	-
	<u>314,650,593</u>	<u>242,383,654</u>	<u>21,954,830</u>	<u>20,311,856</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2019	363,903,827		11,869,762
Share-based payments		2,666,666	\$0.02	53,333
Issue of shares under placement or rights issue		1,000,000	\$0.02	20,000
Issue of shares under placement or rights issue		47,000,000	\$0.01	470,000
Issue of shares under placement or rights issue		100,976,872	\$0.03	3,054,284
Bonus shares issued from prior period capital raising*		425,715	\$0.03	11,429
Conversion of convertible notes		81,541,191	\$0.05	3,907,381
Dilution for Class B Shares		-	\$0.00	(187,335)
Conversion of Class B shares to ordinary shares		34,000,000	\$0.02	680,000
Share consolidation**		(419,994,266)	\$0.00	-
Share-based payments		2,625,553	\$0.11	275,683
Share-based payments to key management personnel		2,000,003	\$0.11	210,000
Issue of shares under placement or rights issue		1,666,667	\$0.14	248,429
Cost of capital		-	\$0.00	(301,110)
Balance	31 December 2019	217,812,228		20,311,856
Conversion of convertible notes		616,569	\$0.15	92,485
Conversion of convertible notes		10,863,997	\$0.03	271,600
Share-based payments***		1,200,000	\$0.08	90,000
Conversion of convertible notes		9,801,241	\$0.03	245,032
Share-based payments***		1,584,000	\$0.03	39,600
Conversion of employee performance shares to ordinary shares		9,767,521	\$0.03	244,188
Share-based payments***		706,751	\$0.03	17,669
Bonus shares issued from prior period capital raising*		714,286	\$0.03	17,857
Issue of shares under placement or rights issue		28,000,000	\$0.03	700,000
Share-based payments***		1,584,000	\$0.03	39,600
Cost of capital		-	\$0.00	(115,057)
Balance	31 December 2020	<u>282,650,593</u>		<u>21,954,830</u>

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.



Note 9. Equity - Issued capital (continued)

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.

*Bonus shares issued in-conjunction with capital raising from prior periods

**On 20 August 2019, the Company's shareholders passed an ordinary resolution that the ordinary share capital of the Company be consolidated through the conversion of every seven Ordinary Shares into two Ordinary Shares.

*** The value of the share-based payments have been based on the most recent seed capital raising price and conversion price of the most recent convertible notes exercised

Employee performance shares

Employee performance shares do not have attached voting rights, but entitles the Holder to receive notices of general meetings and financial reports and accounts that are circulated to shareholders and the right to attend general meetings. The shares do not entitle the Holders to the following rights; entitlement to dividends, participation in new share issues to Ordinary Shareholders and participation in the surplus assets of the Company on winding up. These shares rank pari passu amongst themselves and are not transferrable.

The non-completion of performance criteria as explained in note 12 relating to the vesting of performance shares would result in the redemption of outstanding performance shares by the company for \$1.00. The expense accrued for the performance shares have been recorded in the share-based payments reserve and are only converted into equity upon achievement of the performance criteria and approval by the Board of Directors.

Refer to note 12 for further details.

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 is subject to convertible notes and meeting these is given priority in all capital risk management decisions. There have been no events of default on the convertible notes during the financial year.

Note 10. Equity - Reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency reserve	(112,168)	(2,219)
Share-based payments reserve	165,932	-
	53,764	(2,219)
	53,764	(2,219)

Foreign currency reserve

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

Share-based payments reserve

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



Note 11. 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 and interest rate risk) and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

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

Financial instruments consist of cash, trade and other receivables, trade and other payables and borrowings.

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. For the year ended, each entity operated primarily in its own geographic location with the currency of that location corresponding to its functional currency. As a consequence, the only significant financial instrument denominated in a different currency from the functional currency were intercompany borrowings. There is no hedging of this risk. As these are intercompany in nature and do not impact the profit or loss on translation, their effect is not material to these financial statements.

The entity has financial assets and liabilities held in IDR comprising cash and cash equivalents, trade receivables and supplier deposits and trade payables and agent deposits. As at reporting date, the financial assets and liabilities held in IDR are as below:

	Total AUD \$
As at 31 December 2019	
Cash and cash equivalents	351,621
Trade receivables and supplier deposits	593,228
Trade payables and agent deposits	(932,260)
Net exposure	<u>12,589</u>
As at 31 December 2020	
Cash and cash equivalents	83,453
Trade receivables and supplier deposits	342,952
Trade payables and agent deposits	(527,386)
Net exposure	<u>(100,981)</u>

Interest rate risk

The consolidated entity's main interest rate risk arises from its fixed rate borrowings, the terms and conditions of which are set out in the borrowings note. The entity's approach to managing the cashflow impact of paying out the interest and principal due on those borrowings is set out in the Critical Accounting Estimates and Judgment note commenting on going concern.

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.



Note 11. Financial instruments (continued)

Remaining contractual maturities

The financial instrument liabilities are either loans which are repayable on demand or are convertible notes which total to \$2,720,449 and mature within between 180 and 365 days.

Fair value of financial instruments

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

Note 12. Share-based payments

Employee Performance Shares

The following employee performance shares were issued to key management personnel as part of their employment.



Note 12. Share-based payments (continued)

Directors and Employees	Employee performance shares	Performance milestones	Shares	Exercise price	Expiry date	Fair value
Michelle Alexiou	Class B	Total number of online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed 2,000,000 per day for a period of at least 5 consecutive days during the performance period	1,000,000	\$0.00	01/03/2022	\$0.02
Michelle Alexiou	Class C	Aggregate dollar value of all online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed AUD 10,000,000 per day for a period of at least 5 consecutive days during the performance period	1,000,000	\$0.00	01/03/2023	\$0.02
Jitto Arulampalam	Class B	Tapp Indonesia to achieve a network of at least 200,000 agents during the performance period	4,000,000	\$0.00	23/04/2021	\$0.02
Jitto Arulampalam	Class C	Total number of online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed 2,000,000 per day for a period of at least 5 consecutive days during the performance period	4,000,000	\$0.00	21/12/2022	\$0.02
Jitto Arulampalam	Class D	Aggregate dollar value of all online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed AUD 10,000,000 per day for a period of at least 5 consecutive days during the performance period	4,000,000	\$0.00	21/12/2023	\$0.02
Troy Richardson	Class A	Tapp Indonesia to achieve a network of at least 200,000 agents during the performance period	2,000,000	\$0.00	23/4/2021	\$0.02
Troy Richardson	Class B	Total number of online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed 2,000,000 per day for a period of at least 5 consecutive days during the performance period	2,000,000	\$0.00	23/10/2022	\$0.02
Troy Richardson	Class C	Aggregate dollar value of all online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed AUD 10,000,000 per day for a period of at least 5 consecutive days during the performance period	2,000,000	\$0.00	23/10/2023	\$0.02
Jason Wang	Class A	Tapp Indonesia to achieve a network of at least 200,000 agents during the performance period	4,000,000	\$0.00	22/09/2021	\$0.02
Jason Wang	Class B	Total number of online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed 2,000,000 per day for a period of at least 5 consecutive days during the performance period	4,000,000	\$0.00	22/03/2023	\$0.02
Jason Wang	Class C	Aggregate dollar value of all online or electronic payments or transactions processed via the digital ledger and payments processing platform to exceed AUD 10,000,000 per day for a period of at least 5 consecutive days during the performance period	4,000,000	\$0.00	22/03/2024	\$0.02



Note 12. Share-based payments (continued)

As at report date only performance milestones for Class A shares for Jitto Arulampalam and Michelle Alexiou have been met and as a result, a total of 8,000,000 ordinary shares have been issued. None of the remaining performance conditions attached to the shares had vested. As at this report date, Jitto Arulampalam has assumed his position as Non-Executive Chairman as of 1 July 2021, per his new agreement as Non-Executive Chairman it has been mutually agreed to cancel his performance share rights.

Performance shares are based on the achievement of performance milestones whereby the executive becomes beneficially entitled to convert one performance share into one ordinary shares. There are no amounts paid or payable by the recipient in relation to the performance shares other than on their potential exercise.

Performance shares do not have attached voting rights, but entitles the Holder to receive notices of general meetings and financial reports and accounts that are circulated to shareholders and the right to attend general meetings. The shares do not entitle the Holders to the following rights; entitlement to dividends, participation in new share issues to Ordinary Shareholders and participation in the surplus assets of the Company on winding up. These shares rank *pari passu* amongst themselves and are not transferrable.

Note 13. Key management personnel disclosures

Directors

The following persons were directors of Tapp Group Limited during the financial period:

Jitto Arulampalam
Jeroen van Son
George Marantika
Bettina Evert (appointed 1 August 2019 and resigned 7 February 2020)
Theo Hnarakis (appointed 1 August 2019 and resigned 7 February 2020)
Jason Wang appointed 23 May 2020

Compensation

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	185,959	1,011,118
Post-employment benefits	17,666	72,512
Share-based payments	244,188	243,334
Director board fees and other reimbursed expenses	561,357	250,284
	1,009,170	1,577,248

Share-based payments comprise bonus shares issued to key management personnel as part of their employment.

Employee Performance Shares

Employee performance shares were issued during the year as disclosed in note 12



Note 13. Key management personnel disclosures (continued)

All performance shares were granted over unissued fully paid ordinary shares in the company. Performance shares are based on the achievement of performance milestones whereby the executive becomes beneficially entitled to convert the performance shares into ordinary shares. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the performance shares other than on their potential exercise.

Performance shares do not have attached voting rights, but entitles the Holder to receive notices of general meetings and financial reports and accounts that are circulated to shareholders and the right to attend general meetings. The shares do not entitle the Holders to the following rights; entitlement to dividends, participation in new share issues to Ordinary Shareholders and participation in the surplus assets of the Company on winding up. These shares rank *pari passu* amongst themselves and are not transferrable.

Note 14. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - William Buck</i>		
Audit of the financial statements	28,000	38,100
<i>Other services - William Buck</i>		
Assistance with preparation of financial statements	2,000	2,000
	30,000	40,100

Note 15. Related party transactions

Parent entity

Tapp Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 17.

Key management personnel

Disclosures relating to key management personnel are set out in note 13.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Interest charge on convertible notes to related parties	129,341	42,711



Note 15. Related party transactions (continued)

Loans to/from related parties

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

	Consolidated	
	2020	2019
	\$	\$
Current borrowings:		
Borrowings from key management personnel and their associated entities (including accrued interest) per note 8	1,440,544	426,146
Amounts payable to directors and related parties per note 7	393,352	86,857

Terms and conditions

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

Note 16. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020	Parent 2019
	\$	\$
Total comprehensive deficit	(3,536,900)	(2,620,165)

Statement of financial position

	Parent 2020	Parent 2019
	\$	\$
Total current assets	154,603	24,647
Total assets	161,067	32,069
Total current liabilities	(4,789,311)	(2,932,318)
Total liabilities	(4,789,311)	(2,932,318)
Equity	-	-
Issued capital	21,954,830	20,311,856
Reserves	165,932	-
Accumulated losses	(26,749,005)	(23,212,105)
	<u>(4,628,243)</u>	<u>(2,900,249)</u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries for the financial period (2019: nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 (2019: nil).



Note 16. Parent entity information (continued)

Significant accounting policies

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

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

Note 17. Interests in subsidiaries

As at balance date, the company had legal ownership in the following entities:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
PT. Tapp Technology	Indonesia	99.00%	99.00%
Tapp Commerce Pty Ltd	Australia	100.00%	100.00%
Tapp Commerce LLC	United States of America	100.00%	100.00%
Tapp Technologies Pty Ltd	Australia	100.00%	100.00%

Under Indonesian Law, a natural person must maintain at least a 1% holding in all companies formed in its jurisdiction. The Company has an additional agreement with the 1% shareholder conferring all economic interests in its Indonesian entities back from that shareholder to the Group.

Whilst the Tapp Group does not hold any direct interest in the trading entity Tapp Digital Nusantara, it indirectly has beneficial control over the entity through a number of factors that include the license and service agreement that exists between PT. Tapp Technology (owned 99% by the parent entity as noted above) and Tapp Digital Nusantara, the rights to the Tapp technology and Network are the fully owned by the Tapp Group and that Tapp Digital Nusantara has a 100% full economic dependency on the Tapp Group in order to operate given as an individual entity, is loss making and is reliant upon \$2,567,120 of funding which has been provided to it by its Licensor (PT. Tapp Technology). The shareholders of Tapp Digital Nusantara are also employed by Tapp Group and as Directors, would be liable to repaying the funding provided by Tapp Group should they wish to separate the business from its existing operations. Tapp Group also has the ability to revoke the license and service agreement at any time should they wish, thus rendering Tapp Digital Nusantara unable to trade. On this basis, Tapp Group is determined to have control of Tapp Digital Nusantara and as such, is consolidated for the purposes of Tapp Group's financial reporting.



Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax expense for the year	(3,757,699)	(5,005,902)
Adjustments for:		
Depreciation and amortisation	9,901	16,251
Non-cash finance charges	228,757	490,206
Share-based payments and Class B equity dilution charge	427,789	43,110
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(7,414)	41,062
Increase in inventories	(8,467)	-
Decrease/(increase) in prepayments	272,139	(492,140)
Increase/(decrease) in trade and other payables	461,993	(546,767)
Increase in other provisions	79,033	18,223
Increase in deposits from customers	(543,935)	668,183
Net cash used in operating activities	<u>(2,837,903)</u>	<u>(4,767,774)</u>

Note 19. Operating segments

During the year the Consolidated Entity continued to develop and operate its secured global payments and transactional technology platform and digital currency that aims to provide under-served markets with transaction services in South-East Asia.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Jeroen van Son
Director

13 July 2021

Tapp Group Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tapp Group Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 31 December 2020 and of its financial performance for the year ended on that date; 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 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Group generated a loss of \$3,757,699 for the year ended 31 December 2020 and had current liabilities that exceeded current assets by \$5,103,888. These conditions, along with other conditions and matters set out in Note 2 to the financial statements indicate that a material

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uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



N.S. Benbow

Melbourne, 13 July 2021