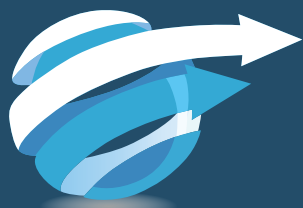


Pacific
Knowledge
Systems



2020

Annual Report

PKS Holdings Limited

ABN 42 627 071 121

Intelligent systems for better healthcare

About PKS

PKS is an Australian Healthcare company that works with health organisations around the world to better capture, manage and leverage their human expertise to improve the performance of their business and deliver better patient outcomes. PKS' products have a broad range of applications across the healthcare services industry. The key value propositions of the PKS' suite of software applications focus on and have the potential to:

- + Clinical Decision Support, which enables better decision making, leading to improved patient outcomes and a reduction in medical errors;
- + Improve operational efficiency, with opportunities for significant cost savings and revenue improvements;
- + Improve the quality of data, which makes the billing processes in healthcare organisations more accurate and more efficient; and
- + Leverage off data analytics and benchmarking, which provides insights into healthcare data and enables healthcare organisations to improve quality of patient care.

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Chairman's Report

Dear Shareholder,

I am pleased to present our first full year of results as your Chairman of Pacific Knowledge Systems Holdings ("PKS").

During our time as a listed entity we have experienced some significant changes to the business model with the most notable being the acquisition of Pavilion Health. We are already seeing this complementary acquisition has added significant value to the PKS offering.

The healthcare sector under enormous pressure. Patient numbers are increasing at a faster pace compared to budgets, capacity planning challenges have surfaced due to the COVID-19 crisis, and patients have higher expectations of their health systems and expected outcomes. In addition, patients have an increased awareness of health information and medical knowledge.

A regularly quoted study in "Transaction of the American Clinical and Climatological Association" estimates that clinical knowledge took 3.5 years to double in 2010 and is estimated that this now could occur every few months. There is also a precipitous decline in the knowledge physicians gain from medical school. A separate study found that one year out of medical school, doctors retained two-thirds to three-quarters of basic science, which decreased to approximately fifty percent two years out. Software solutions offering improved efficiencies, retention of knowledge and data analytics are becoming more important to tackle these challenges.

The global healthcare IT solutions market is estimated to be worth in excess of US\$391 billion by 2024. Subsets of this market where PKS competes are Healthcare Analytics, a market estimated to be worth US\$51 billion by 2024, Health Information Management, a market estimated to be worth US\$31 billion in 2022 and Clinical Decision Support (CDS), a market estimated to be worth US\$1 billion and growing at an estimated 11.8% per annum.

PKS, including the recently acquired Pavilion Health, offers progressive software solutions to assist with many of these healthcare challenges. RippleDown® Auditor increases efficiencies in pathology billing, whilst RippleDown® Expert, the CDS module, automates the human decision-making process in healthcare organisations which allows faster patient throughput, better patient outcomes and mitigates succession risk. PICQ® is an auditing tool widely used by hospitals to assess the quality of health data that has been clinically-coded from information interpreted from patient medical records. RISQ™ is a data analytics tool used to review records in hospital datasets to determine the incidences of hospital-acquired complications (HACs) while assessing the accuracy of the data underpinning the HACs. It also provides a method to benchmark hospital against statistical peers for performance. As these datasets contain detailed anonymised health data it can be used for further data analytics.

PKS has and continues to focus on growth since listing in June 2019. This strategy is driven by close relationships with channel partners, upgrading direct business development resources, developing a strategic product innovation roadmap to cultivate future opportunities, selective product price increases and strategic acquisitions. Although it has been a challenging year globally, we keep improving and successfully delivering on these objectives.

Through the acquisition of Pavilion Health, completed in June 2020, a number of health technology synergies have manifested. This includes sales distribution channels, such as hospitals, and complementary technology product platforms commercialised in territories where PKS is not currently present, such as Ireland, Singapore and the Middle East. The combination of the PKS and Pavilion Health technology platforms is expected to lead to new use cases such as in areas of data analytics and automated coding in hospitals.

At the completion of the acquisition Neil Broekhuizen retired his director position and experienced healthcare analytics director, Stephen Borness, joined the board.

PKS has established, proven technologies and is a profitable company with revenue generated from around the world. It has a healthy cash balance, a blue chip customer base, market-leading channel partners, and a solid new executive team. The market sectors where PKS operates is large and growing rapidly, and the execution of its growth strategy has commenced. I look forward to an extended period of growth in the Company.

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

Yours Sincerely,



Mike Hill
Chairman

CEO's Report

Dear Shareholder,

I am pleased to present the CEO report for Pacific Knowledge Systems Holdings ("PKS") in its first full year as a public Company. The world has changed significantly in this time, PKS however has remained focused with key contract renegotiations, our first new direct customer and a successfully integrated strategic acquisition.

When PKS was listed in June 2019, our strategic objectives to grow the Company included:

- + Further develop our existing partner capability and establish new channel partners
- + Incorporate a direct sales model
- + Develop and innovative our products, realising increased unit revenues
- + Acquire a strategically aligned business

Despite a difficult year with the COVID-19 pandemic, we have achieved or successfully advanced our efforts in all of the objectives.

During the year, we have worked closely with one of our key partners Abbott Laboratories ("Abbott"), whom license our RippleDown® product under their own brand AlinIQ® CDS. After the first 3 years of our channel partner relationship, Abbott had 18 licenses. In the last financial year, Abbott have added 13 new licenses, increasing the total number of licenses to 31. In addition, we renegotiated our agreement with Abbott, increasing unit license fees, and locking in potential additional license income from the larger Abbott customers. We are working together to convert selected potential leads into commercial installations and share revenue from these opportunities.

Under the renegotiated Abbott agreement and the expiry of the sales and marketing exclusivity provisions, we now have established our own sales resources, initially focusing on direct sales in the Australian and New Zealand market. Just after the end of the financial year, we signed our first new customer, South Australia Pathology.

In addition to Abbott, we re-aligned our quantitative value proposition for RippleDown® and successfully renegotiated our agreements with ACL, Healthscope and ACT Pathology.

During the year, our product innovation efforts have focused on new and improved functionality within RippleDown®, including GUI enhancements, the development of a microbiology module, molecular diagnostic module, seeded knowledge bases and the development of cloud-based architecture. We are very excited at the contribution these ongoing developments will make to advancing clinical decision support and the use of technology and data in Healthcare.

In June 2020, we completed the acquisition of Pavilion Health, an Australian based healthcare technology company. Pavilion Health is a profitable, high-growth and scalable health data products business that builds and leverages its proprietary cloud-based, Software-as-a-Service technology. They work with healthcare providers – such as public & private hospital groups - and payers – such as insurance companies and state health departments - to improve the accuracy and timeliness of patient-level data, using their products, bespoke analytics and specialist insights.

This strategic acquisition has:

- + Dramatically expanded our capability to support expansion and growth
- + Accelerated the execution of the product innovation roadmap
- + Enabled complementary products to be developed for a broader offering which is more attractive to customers
- + Provided a direct customer avenue for PKS to enter the hospital market
- + Advanced business development capabilities including international expansion
- + Combined technical capabilities and experience of both teams

CEO's Report (continued)



We are excited for our future, with innovative, valued products, strong partners, improved strategic and execution capability and enormous market opportunity to expand the usage of PKS technology in pathology and hospitals, throughout Australia and in emerging and our established international markets

With complementary health information solutions, the acquisition of Pavilion has already begun creating significant opportunities in the pathology and hospital sectors. Our unified pathway has provided solutions that:

- + Improve the accuracy and timeliness of patient-level health data
- + Enable tracking and improving the quality of patient care to provide better health outcomes
- + Enable securing funding from payers that accurately represents activity and resource consumption
- + Identify risk incident errors and support improved performance of hospitals/laboratories
- + Support increased efficiency and knowledge of employees/resources
- + Optimise resource allocation through increased efficiency/streamlined processes

resulting in better patient outcomes, improved customer profitability, and increased customer knowledge.

The integration of Pavilion Health has been smooth, with the three key executives aligned to grow and develop the organisation, leveraging product innovation.

I am pleased to announce that despite the challenges caused by COVID-19, audited annual revenue for FY2020 was \$4.27m. On a Pro-forma FY20 group basis we achieved revenue of \$7.5 million of which 75% is recurring revenue. The proforma Operational EBITDA was \$2.98 million, 40% of revenue.

We are excited for our future, with innovative, valued products, strong partners, improved strategic and execution capability and enormous market opportunity to expand the usage of PKS technology in pathology and hospitals, throughout Australia and in emerging and our established international markets.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Ron van der Pluijm'.

Ron van der Pluijm
Managing Director and CEO



Review of Operations

Review of Operations

PKS Holdings Limited (“PKS”) is an Australian Healthcare Technology Company that works with healthcare organisations around the world to better capture, manage and leverage their human expertise to improve the performance of their business. Through this we are able to facilitate our customers in delivering better patient outcomes, improving the quality of healthcare data, reducing medical errors, creating greater operational efficiencies, improving productivity and achieving significant cost savings.

In June this year, PKS acquired the Australian based leading data driven Software as a Service (“SaaS”) healthcare technology company Pavilion Health Australia Pty Ltd., and has successfully integrated its products and services to expand PKS’ offerings.

Pavilion Health is a profitable, high-growth and scalable health data products business that builds and leverages its proprietary cloud-based, SaaS technology. Pavilion Health works with healthcare providers – such as public & private hospital groups - and payers – such as insurance companies and state health departments - to improve the accuracy and timeliness of the patient-level data, using their products, bespoke analytics and specialist insights.

Pavilion Health are leaders in working securely with health data in the cloud and have invested significant customer and development effort in building a secure health data platform, with privacy designed-in from the beginning. As a result, since 2011, they have been entrusted with access to real-time health data that allows them to better enable its customers to complete two key functions:



1 track and improve the quality of patient care to provide better health outcomes; and,



2 secure funding from government and private health funds that accurately represents the clinical activity that was conducted.

Due to their high market penetration (55% of all hospital separations in Australia) and high level of customer trust, Pavilion Health have a unique and defensible ability to provide industry-wide benchmarking of the accuracy and clinical safety of hospital data.

During the year Pavilion has made significant steps towards creating new ways to build access to and utilisation of patient-level data through increased use of their SaaS solutions. This not only strengthens the Pavilion capability to provide new and better insights through improved data analytics techniques, enabling our customers to improve patient outcomes and secure funding entitlements but establishes real barriers to entry and additional product and service offerings for current and new customers particularly around risk-adjusted benchmarking of patient care.

Individual highlights that support this include:

- + Securing all NSW Health Local Health Districts as customers of SaaS-based data quality solutions;
- + Proof-of-Concept project with Independent Hospital Pricing Authority (IHPA) for a whole-of-country data portal to track and benchmark Hospital-Acquired Complications (HACs);
- + Victorian Agency for Health Information (VAHI), a renewal of both the PICQ and RISQ SaaS solutions (at a significant increase over previous year’s licence fees) for admitted patient data quality and the tracking and benchmarking of HACs for all Victorian Public and Private hospital admissions;
- + Healthscope renewal of the RISQ SaaS solution continues the collaborative relationship with the quality team to track and benchmark HACs, as well as improve the quality of data underpinning the reporting of HACs; and,
- + In completing the transaction to merge with PKS, Pavilion found the right strategic partner that enables the business to drive for future value and leverage our position both domestically throughout Australia and in overseas markets.

PKS software products

PKS’ products have a broad range of applications across the healthcare services industry. The key value propositions of the PKS’ suite of software applications focus on and have the potential to:

- Clinical Decision Support, which enables better decision making, leading to improved patient outcomes;
- Improve operational efficiency, with opportunities for significant cost savings and revenue improvements;
- Improve the quality of data, which makes the billing processes in healthcare organisations more accurate and more efficient; and,
- Data analytics and benchmarking, which provides insights into healthcare data and enables healthcare organisations to improve quality of patient care.

With the recent acquisition of Pavilion Health, the suite of software products now consist of:

RippleDown® Auditor

RippleDown® Auditor is a knowledge-based system that allows multiple departments to audit data entered into healthcare information systems in real-time. Errors in submitting data are a common occurrence in health organisations, resulting in impacts on patient diagnosis and treatment, lost revenue and patient dissatisfaction and incorrect pathology tests being ordered.

RippleDown® Expert

RippleDown® Expert is an advanced clinical decision support system that automatically applies a clinician's expertise to each case and ensures the best possible interpretations of results are delivered to referring clinicians. It allows healthcare organisations to replicate a domain expert's unique decision-making process at scale, enabling a higher volume of decisions to be made, with increased accuracy and retains a knowledge base, protecting organisations from knowledge loss as experts change jobs.

LabQ®

LabQ® is RippleDown's data mining tool. With LabQ®, you can build highly customised rules-based data extractions. These extractions can be run against any RippleDown® case store.

PICQ®

PICQ® is an auditing tool used in hospital that assesses every record clinically coded for data quality. It measures data accuracy against indicators and identifies records for correction and uses a set of pre-determined indicators created and maintained by PKS' subject-matter experts to identify records that may be incorrectly coded.

RISQ™

RISQ™ reviews records in datasets to assess the quality of Condition Onset Flags (COF) data and incidences of hospital-acquired complications (HACs). It provides method to benchmark hospitals against statistical peers to provide industry benchmark of HAC incidence and underlying data quality.

Codexpert™

Codexpert™ is a web-based eBook application providing the full health-data classification reference for clinical coding of patient episodes.

Sales and Distribution

PKS' sales and distribution model involves both direct sales and sales via global channel partners.

PKS is based in Sydney, Australia and has an affiliate in Ireland. It maintains a global footprint through its own direct business development resources. PKS has its software installed in over 100 sites across five continents. PKS has direct customers in Australia, New Zealand, South Africa, Singapore, Ireland and the Middle East.

PKS also develops the markets through Channel Partners. Channel partners provide a range of benefits for PKS that it cannot achieve on its own, including:

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

PKS has executed three global channel partnerships with major multi-national healthcare organisations. Abbott, a multinational healthcare products and services company headquartered in the US, white labels RippleDown® under their AlinIQ® CDS brand. Philips, a leading European health informatics organisation, offer RippleDown® as a module to their Laboratory Information System.

During this financial year, a number of larger long-term software license agreements came up for renewal. These agreements, with ACL, Healthscope and ACT Pathology, were successfully renegotiated.

PKS was proud to announce that it executed the agreement with a new customer, South Australia Pathology in July. This agreement was the result of PKS' direct business development resource which was set-up in the last quarter of 2019.

Review of Operations (continued)



The growth rate for new installations by Abbott was strong in the first half of the financial year with 9 new customers added, a **growth rate of 50%**

Revenue Model

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

PKS currently has direct sales in Australia, New Zealand, South Africa, Singapore, Ireland and the Middle East.

The benefits of this direct sales model are:

- + higher margins achievable from customers sourced directly rather than through channel partners;
- + greater support for channel partners within key geographies resulting in greater numbers and rates of installations; and,
- + direct input for the further development of our product suite.

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

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

LABQ® and Codexpert™ are typically charged on a fixed price basis.

In addition, PKS derives income from providing consulting, auditing services, software development and training to healthcare organisations and channel partners.

The average revenue per direct customer in FY2020 was approximately \$240,000 per annum and ranged from approximately \$15,000 per annum to approximately \$1 million per annum.

For customers sourced via channel partners, PKS typically earns an up-front fee on installation and a fixed ongoing licence fee.

During the year PKS successfully renegotiated its agreement with Abbott.

The agreement has improved commercial terms which address:

- + The addition of a new volume based-license mechanism which measures the number of patient episodes and charges additional recurring licensing based on the total customer episodes;
- + The increase in the commercial licensing pricing to address CPI since inception (April 2016);
- + The addition of a commercial go to market revenue sharing regime where on joint sales led customer opportunities, the contract pricing will be shared between Abbott and PKS;
- + Non-exclusive arrangements where Abbott agree PKS will be able to re-establish its direct sales force to work with Abbott in some circumstances and work on its own direct pipeline; and,
- + Extension of Term to 30 April 2022, with an automatic 2-year renewal period (subject to a 6-month notice period).

The growth rate for new installations by Abbott was strong in the first half of the financial year with 9 new customers added, a growth rate of 50%. the second half of the financial year was understandably slower, with only 4 new customers added, bringing the total number of licenses to 31.

PKS' other major channel partner, Philips, is developing a new software solution to easily link the various legacy software systems in laboratories. PKS is in negotiations with Philips to make RippleDown® part of this software solution to manage the workflow as well as for clinical decision support.

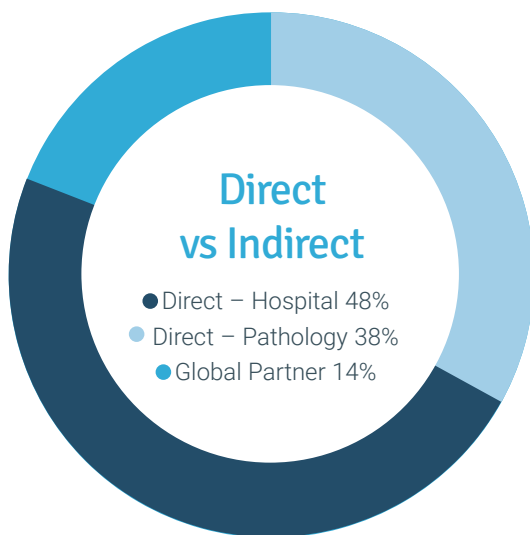
Customers and Geographic Coverage

PKS has its software installed in over 100 sites globally. Over the years PKS has achieved strong customer retention.

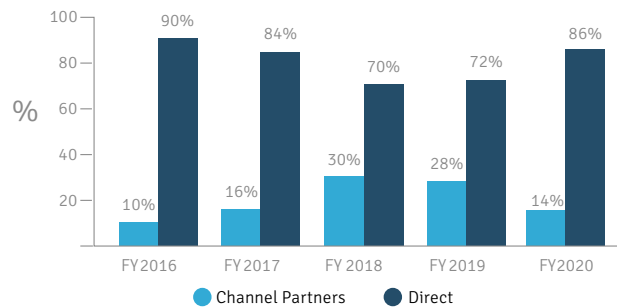
Installations of its suite of products at customer sites:

Customer	RD Expert and Auditor	RD Auditor Only	RD Expert Only	PICQ	RISQ	Code Expert	Total
Direct Customers	8	2	2	61	6	62	141
Channel Partners	31	0	4(*)				35
Total	39	2	6	61	6	62	176

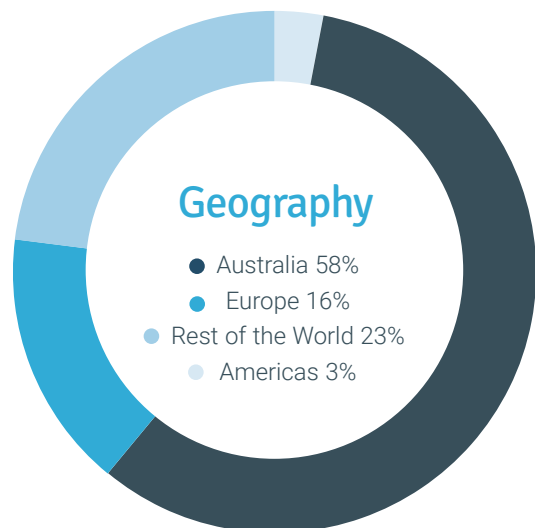
(*) Excludes the installations through Thermo Fisher where RippleDown® was imbedded into one of their instrument ranges which has now been phased out; the agreement is still valid for another 2 years. The income from Thermo Fisher for the 2020 FY was approximately \$50,000.



PKS is a global business, with around 42% of customer revenue on a pro forma basis derived from offshore customers, as set out below. The percentage of international sales has decreased from the previous year as Pavilion Health’s Australian revenue, as percentage of total revenue, is higher at 76.3%.



With the acquisition of Pavilion Health, revenue through the channel partners has decreased as a percentage of revenue from 28% to 14% as all of Pavilion Health’s revenue is direct. The number of licenses however through Abbott has increased from 18 (FY 2019) to 31 (FY 2020).





Growth Strategy and Major Initiatives

PKS has identified and is actively pursuing the following strategies to drive growth in revenue and earnings:

Growth in existing markets: The focus for growth in the existing markets is to cross-sell and up-sell the existing products from both PKS and Pavilion Health. Combining the sales resources of both sides of the company is hugely beneficial here. Opportunities for short-term growth will focus on:

- + Expansion of RippleDown® into hospitals;
- + Increasing the share of RippleDown® in public pathology;
- + Adding pathology data to the Pavilion Health data set;
- + Target remaining hospitals in Australia that do not have PICQ®; and
- + Expansion of RISQ™.

Expansion into international markets: Apart from Australia, PKS has had direct customers in New Zealand and South Africa. Through the Pavilion Health acquisition PKS now has further direct customers in Ireland, Singapore and the Middle East. PKS will focus on these markets to up-sell and cross-sell the various software solutions. These markets will also be used as springboards into the surrounding markets in these areas. In addition, due to the sheer size, the North American markets will be a specific area of expansion.

So far the international expansion for the Pavilion Health products is done through direct sales. PKS will be exploring various models, including potentially working with existing channel partners, if this international expansion can be accelerated.

Existing Channel Partner Development: PKS intends to work closely with existing channel partners to promote the sales and installation of RippleDown® globally.

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

Price Increases: As PKS' brands become more recognisable through direct and channel partner installations, PKS believes there may be an opportunity to increase product pricing for new contracts. Price increases are focused on bundling and value-added features into existing software solutions, value pricing for clinical decision support, pricing models for new markets and new pricing models for new products.

Product roadmap: Apart from functional improvements for its existing products, the future roadmap for PKS is focused on:

- + Data and data-analytics;
By adding pathology data to the dataset received from hospitals it will improve the quality for the coding (billing) data and open up many new use cases for data-analytics (up to 70% of treatment decisions are based on pathology data); and
- + Improving the quality and increasing the efficiency of coding (billing) in hospitals.

By combining the technologies of PKS and Pavilion Health, in addition to a wider set of data, we expect that the coding process in hospitals can be automated to a larger extent and thereby increasing the quality of coding as well as increasing efficiency and saving cost.

Acquisitions: PKS will continue to investigate potential acquisition to add technologies and / or customers. It continues to retain a robust and secure cash balance which enables flexibility for future strategic acquisitions.

Financial Information (“Proforma”)

As PKS Holdings Ltd has only existed in its current form for one month in FY 2019 (after listing on the ASX) and acquired Pavilion Health in June 2020, the best way to present and analyse how the business is progressing is by comparing the 2019 pro forma results to the 2020 reported results and the pro forma of the group business for 2020. The audited financial statements are presented further in this report.

	FY2020 (Pro forma Group)	FY2020 Audited	FY2019 Pro forma
Pro forma Statement of Profit and Loss (\$000)			
Operating Revenue:			
Recurring Software Licenses	5,562	3,810	3,309
Project, Consulting and Implementation	1,685	315	542
Government Grants & Other	215	147	12
Total Operating Revenue	7,462	4,272	3,863
Operating Expenses:			
Staff costs	3,545	1,228	1,211
Sales and marketing costs	267	326	249
Occupancy costs	106	15	117
Other expenses	560	454	187
Total Operating Expenses	4,478	2,023	1,764
Operational EBITDA (non-GAAP)	2,984	2,249	2,099
Post listing, one-off and acquisition expenses	1,804	1,089	3,044
Options & Performance Rights (non-cash)	315	315	155
Sub-Total	2,119	1,404	3,199
EBITDA	865	845	(1,100)
Depreciation and amortisation	521	509	87
Finance cost	5	5	
Profit before tax	339	331	(1,187)

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

2019 represents the pro forma financials for PKS

2020 represents the reported financials for PKS and include the Pavilion Health acquisition from the date of acquisition

2020 Pro forma represents the combined 12 month figures for both PKS and Pavilion Health

Review of Operations (continued)

Commentary on Financial results

Revenue

PKS generates recurring revenue through annual license fees and episodes (usage) fees, and non-recurring revenue through installation fees, consulting and customer specific software development. Total revenue for the year increased to \$4.3 million.

Pro forma revenue of the group was \$7.5 million, of which 75% is recurring revenue. Recurring revenue increased by 68% compared to 2019 pro forma financials, which is attributed to the pavilion acquisition, new installations and the increase in the pricing and number of episodes.

Expenses

Operational expenses were \$4.5 million, of which employee expenses are the largest expense at \$3.5 million or 79%. Employee expenses increased as PKS now derives a larger portion of its revenue from consulting activities. In addition PKS has invested in the future growth of company by investing in business development resources and development of its software applications. Operational expenses were 60% of revenue.

Profitability

The pro forma Operational EBITDA increased from \$2.1 to \$3.0 million, which represent 40% of revenue. Reported Net Profit Before Tax (NPTA) was \$331k, whilst pro forma NPTA was \$339k.

Cash flow

The cash balance at the end of the FY 2020 for PKS holdings was \$4.2 million, which is slightly up from the cash balance of \$4.14 million at the end FY 2019. It should be noted that the total cash payments made by both PKS and Pavilion Health related to the acquisition for the FY 2020 was \$904k. As such excluding the acquisition cash payments, the cash balance for the combined company would have increased to \$5.1 million.

Board of Directors

Michael Hill

Non-Executive chairman



Formally a Partner of Ernst & Young, Mike has been involved in working with management teams and boards across a number of companies and industries for more than 20 years. He is the MD, Co-CIO and Founder of the Bombora Special Investments Fund. Prior to Bombora he was an Investment Partner with Ironbridge, a private equity investment fund which invested \$1.5bn. Mike has served as Chairman of multiple ASX-listed companies over the past six years. He is a member of the Institute of Chartered Accountants in Australia.

Ronald Van der Pluijm

Managing Director and Chief Executive Officer



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

Andrew Gray

Non-Executive Director



Andrew Gray is a Managing Director of Potentia, a technology-focused private equity investment firm. Before founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than \$3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Before joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US\$10 billion in capital under management. Andrew serves as Chairman of Ascender HCM, a leading payroll software provider and Chairman of Linkly, a provider of payments integration software. He is also a Director of Micromine, a general mine planning software business, PKS, a listed healthcare software business. Andrew has a Degree in Aeronautical Engineering with First Class Honours from the University of Sydney and an MBA from The Harvard Business School.

Neil Broekhuizen (resigned on 31 May 2020)

Non-Executive Director



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

Paul Williams

Non-Executive Director



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

Brad Lancken (appointed on 18 October 2019)

Non-Executive Director



Brad is an experienced private and public company executive with over 15 years' experience and is a Managing Partner of Liverpool Partners with former roles at Archer Capital and Seven Group Holdings Limited. Brad has global experience in the technology and SaaS sector including former roles on the advisory board of China Media Capital Partners and as a Board Director of Onesource Group. iseekplant.com.au and Found Careers. He also has domestic health care experience having led investments in the aged care sector, currently a Director of residential aged care provider CraigCare and serves the community as a Director of the NSW Institute of Sport.

Stephen Borness (appointed on 10 June 2020)

Non-Executive Director



Mr Borness has founded and directed strategy for several technology and health related private companies, and was Board Chair and Finance Director of Pavilion Health before it merged with PKS. He has led projects and has expertise in implementation of digital technologies, health system analytics and cybersecurity. Prior to focusing on the health and technology sectors Mr Borness worked as an investment banker across the Australian, European and U.S. markets. Mr Borness is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting), MBA and CPA.



Appendix 4E

Appendix 4E

Preliminary final report

1. Company details

Name of entity:	PKS Holdings Limited
ABN:	42 627 071 121
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

Dividends

					\$
Revenues from ordinary activities	up	1300.9%	to	4,124,724	
Profit from ordinary activities after tax attributable to the owners of PKS Holdings Limited	up	141.1%	to	382,902	
Profit for the year attributable to the owners of PKS Holdings Limited	up	141.1%	to	382,902	

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$382,902 (30 June 2019: loss of \$932,360).

On 31 May 2019, PKS Holdings Limited acquired 100% of the DPP Holdings Limited, which owns 100% of the issued capital of Pacific Knowledge Systems Pty Ltd ("PKS Pty Ltd"). The financial results for the year ended 30 June 2019 include only one month operation of PKS Pty Ltd.

On 31 May 2020, PKS Holdings Limited acquired 100% of Pavilion Health Australia Pty Ltd ("Pavilion Health"), which own 100% of the issued capital of Pavilion Health Technology Pty Ltd, Pavilion Health Services Pty Ltd and Pavilion Health Europe PTE Limited.

The financial results for the year ended 30 June 2020 include 12 months operation of PKS Pty Ltd and one month operation of Pavilion Health and as such are not comparable to the previous reporting period.

For comparative purpose, the 12 months trading result both PKS Pty Ltd and Pavilion Health has been added to the comparative period and presented in the review of operations on page 13 of the annual report.

3. Net tangible assets

	Reporting period (cents)	Previous period (cents)
Net tangible assets per ordinary security	1.91	3.79

4. Control gained over entities

Name of entities (or group of entities)	Pavilion Health Australia Pty Ltd.
Date control gained	31 May 2020

Appendix 4E

5. Loss of control over entities

Not applicable.

6. Dividends

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

10. Attachments

The Annual Report of PKS Holdings Limited for the year ended 30 June 2020 is attached.

11. Signed



Date: 28 August 2020

Michael Hill
Chairman
Sydney

Directors' report

30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of PKS Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

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

Michael Hill
Ronald Van der Pluijm
Andrew Gray
Paul Williams
Brad Lancken (appointed on 18 October 2019)
Stephen Borness (appointed on 10 June 2020)
Neil Broekhuizen (resigned on 31 May 2020)

Principal activities

The principal activity of the consolidated entity during the year was the provision of software services to the healthcare industry.

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$382,902 (30 June 2019: loss of \$932,360).

A full review of operations is presented on page 8.

Significant changes in the state of affairs

On 31 May 2020, the company completed the acquisition of 100% of the issued capital and voting rights of Pavilion Health Australia Pty. Ltd. Pavilion is a market-leading provider of SaaS audit and risk management software primarily for hospital and governing health bodies.

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing. Our assessment of the impact on future operations is disclosed in note 33 of the financial statements.

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.

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.

Directors' report (continued)

30 June 2020

Information on directors

Name:	Michael Hill
Title:	Non-Executive chairman
Experience and expertise:	Formally a Partner of Ernst & Young, Mike has been involved in working with management teams and boards across a number of companies and industries for more than 20 years. He is the MD, Co-CIO and Founder of the Bombora Special Investments Fund. Prior to Bombora he was an Investment Partner with Ironbridge, a private equity investment fund which invested \$1.5bn. Mike has served as Chairman of multiple ASX-listed companies over the past six years. He is a member of the Institute of Chartered Accountants in Australia.
Other current directorships:	AHALife Holdings Limited (Non-Executive Chairman) Janison Education Group Limited (Chairman) Rhipe Limited (Non-Executive Chairman) resigned on 26 March 2019
Former directorships (last 3 years):	LiveTiles Limited (Non-Executive Director) resigned on 5 September 2017 JustKapital Litigation Partners Limited (Non-Executive Director) resigned on 27 November 2017 Acrow Formwork and Construction Limited (Non-Executive Director) resigned on 19 September 2019
Special responsibilities:	Chairperson Member Remuneration and Nomination Committee
Interests in shares:	1,367,000 ordinary shares*
Interests in options:	None
Contractual rights to shares:	None

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

Information on directors

Name:	Andrew Gray
Title:	Non-Executive Director
Experience and expertise:	Andrew Gray is a Managing Director of Potentia, a technology-focused private equity investment firm. Before founding Potentia, Andrew was a Managing Director at Archer Capital, an Australian based private equity firm with more than \$3 billion in capital under management. While at Archer Capital, Andrew led the firm's largest investment into software business MYOB (its largest ever return to investors). Before joining Archer Capital, Andrew was a partner with Francisco Partners, a technology-focused global private equity firm with over US\$10 billion in capital under management. Andrew serves as Chairman of Ascender HCM, a leading payroll software provider and Chairman of Linkly, a provider of payments integration software. He is also a Director of Micromine, a general mine planning software business, PKS, a listed healthcare software business. Andrew has a Degree in Aeronautical Engineering with First Class Honours from the University of Sydney and an MBA from The Harvard Business School.
Other current directorships:	None
Former directorships (last 3 years):	LiveTiles Limited (Non-Executive Director) resigned on 22 November 2017
Special responsibilities:	Chairperson Remuneration and Nomination Committee
Interests in shares:	1,350,000 ordinary shares***
Interests in options:	750,000 options
Contractual rights to shares:	2,000,000 performance rights

Name:	Neil Broekhuizen (resigned on 31 May 2020)
Title:	Non-Executive Director
Experience and expertise:	Neil is the Joint Chief Executive Officer of Ironbridge Capital. Neil has 25 years of private equity experience with Investcorp and Bridgepoint in Europe, and with Ironbridge in Asia. Neil has extensive healthcare and technology investing experience and currently sits on the ASX listed Boards of Bravura Solutions Ltd (BVS) and Monash IVF (MVF). Neil has a BSC (Eng) Honours degree from Imperial College, University of London and is an ACA.
Other current directorships:	Bravura Solutions Limited (Non-Executive Director) Monash IVF Group Limited (Non-Executive Director)
Former directorships (last 3 years):	None
Interests in shares:	1,300,000 ordinary shares****
Interests in options:	375,000 options****
Contractual rights to shares:	1,000,000 performance rights****

Directors' report (continued)

30 June 2020

Name:	Paul Williams
Title:	Non-Executive Director
Experience and expertise:	Paul has a proven history of ICT managerial performance across the health, transport, logistics and resources industries, most recently as Chief Information Officer at Healthscope Ltd where he was responsible for all ICT activities at Australia's largest provider of integrated healthcare, covering 44 private hospitals across Australia, national and international pathology services and 50 medical centres. He has extensive experience in delivering innovation, change and reform within large and complex businesses. Prior to Healthscope, Paul was the Head of Information Services at the National E-Health Transition Authority and National IT Manager, Pathology for Mayne/Symbion/Primary.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairperson Audit and Risk Committee
Interests in shares:	250,000 ordinary shares
Interests in options:	150,000 options
Contractual rights to shares:	400,000 performance rights

Name:	Brad Lancken (appointed on 18 October 2019)
Title:	Non-Executive Director
Experience and expertise:	Brad is an experienced private and public company executive with over 15 years' experience and is a Managing Partner of Liverpool Partners with former roles at Archer Capital and Seven Group Holdings Limited. Brad has global experience in the technology and SaaS sector including former roles on the advisory board of China Media Capital Partners and as a Board Director of Onesource Group. iseekplant.com.au and Found Careers. He also has domestic health care experience having led investments in the aged care sector, currently a Director of residential aged care provider CraigCare and serves the community as a Director of the NSW Institute of Sport.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Special responsibilities:	Member Remuneration and Nomination Committee
Interests in shares:	1,000,000 ordinary shares****
Interests in options:	375,000 options
Interests in rights:	1,000,000 performance rights

Name:	Stephen Borness (appointed on 10 June 2020)
Title:	Non-Executive Director
Experience and expertise:	Mr Borness has founded and directed strategy for several technology and health related private companies, and was Board Chair and Finance Director of Pavilion Health before it merged with PKS. He has led projects and has expertise in implementation of digital technologies, health system analytics and cybersecurity. Prior to focusing on the health and technology sectors Mr Borness worked as an investment banker across the Australian, European and U.S. markets. Mr Borness is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting), MBA and CPA.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Interests in shares:	9,705,127 ordinary shares*****

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

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

* Michael Hill holds 617,000 interests in shares indirectly through Jarumitoti Superannuation Fund Pty Ltd - Jarumitoti Super Fund A/C and 750,000 interests in shares indirectly through Malolo Holdings Pty Ltd - Malolo Holdings A/C, both of which he is the ultimate controlling party.

** Ronald Van der Pluijm holds his interests in shares indirectly through Perfume Only Pty Ltd - Tiger A/C, of which he is the ultimate controlling party.

*** Andrew Gray holds 1,250,000 interests in shares indirectly through Caladan Capital Pty Ltd, of which he is the ultimate controlling party.

**** Neil Broekhuizen holds his interests in shares, options and performance rights indirectly through Jaspar Investments Pty Ltd ATF The Jaspar Discretionary Family Trust, of which he is the ultimate controlling party.

***** Brad Lancken holds 50,000 interests in shares indirectly through Conchord Pty Ltd, 50,000 interests in shares indirectly through Neo Camelot Holdings NO 2 Pty Ltd and 900,000 interests in shares indirectly through HSBC Custody Nominees.

***** Stephen Borness holds 9,705,127 interest in shares indirectly through Celerity Investments Pty Ltd.

Company secretary

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

Directors' report (continued)

30 June 2020

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Michael Hill	13	13	-	-	2	2
Ronald Van der Pluijm	13	13	-	-	-	-
Andrew Gray **	10	13	-	-	-	-
Neil Broekhuizen	10	12	-	-	1	2
Paul Williams *	11	13	-	-	2	2
Brad Lancken	10	10	-	-	1	1
Stephen Borness	1	1	-	-	-	-

* Paul Williams is the Chair of Audit Committee Meeting

** Andrew Gray is the Chair of Nomination and Remuneration Committee

Remuneration report (audited)

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

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

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

- + Principles used to determine the nature and amount of remuneration
- + Details of remuneration
- + Service agreements
- + Share-based compensation
- + Additional information
- + Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

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

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

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

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

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

Non-executive directors remuneration

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Directors' report (continued)

30 June 2020

Details of remuneration

Amounts of remuneration

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

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

- + Michael Hill - Non-Executive Chairman
- + Ronald Van der Pluijm - Managing Director and Chief Executive Officer
- + Andrew Gray - Non-Executive Director
- + Paul Williams - Non-Executive Director
- + Brad Lancken (appointed on 18 October 2019) - Non-Executive Director
- + Stephen Borness (appointed on 10 June 2020) - Non-Executive Director
- + Neil Broekhuizen (resigned on 31 May 2020) - Non-Executive Director

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
2020							
<i>Non-Executive Directors:</i>							
Michael Hill (Chairman)	73,059	-	-	6,941	-	-	80,000
Andrew Gray	54,795	-	-	5,205	-	44,645	104,645
Neil Broekhuizen	50,228	-	-	4,772	-	22,322	77,322
Paul Williams	54,795	-	-	5,205	-	8,929	68,929
Brad Lancken	38,637	-	-	3,671	-	3,142	45,450
Stephen Borness	5,000	-	-	-	-	-	5,000
<i>Executive Directors:</i>							
Ronald Van der Pluijm	292,230	-	21,413	27,762	342	23,621	365,368
<i>Other Key Management Personnel:</i>							
Douglas Henry	19,026	-	2,596	1,807	10	11,193	34,632
Paul O'Connor	19,026	-	2,596	1,807	10	11,193	34,632
Michael Pollitt	19,026	-	2,596	1,807	10	22,387	45,826
	625,822	-	29,201	58,977	372	147,432	861,804

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
2020							
<i>Non-Executive Directors:</i>							
Michael Hill (Chairman)	35,636	-	-	3,385	-	-	39,021
Andrew Gray	4,566	-	-	434	-	9,772	14,772
Neil Broekhuizen	4,566	-	-	434	-	9,772	14,772
Paul Williams	4,566	-	-	434	-	1,954	6,954
Joshua May	39,722	-	-	-	-	-	39,722
Gregg Taylor	39,722	-	-	-	-	-	39,722
David Wellington	39,722	-	-	-	-	-	39,722
<i>Executive Directors:</i>							
Ronald Van der Pluijm	108,521	-	2,127	2,313	11	5,170	118,142
	277,021	-	2,127	7,000	11	26,668	312,827

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

Name	Fixed remuneration		Performance related		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Michael Hill	100%	100%	-	-	-	-
Andrew Gray	57%	34%	43%	66%	-	-
Neil Broekhuizen	71%	34%	29%	66%	-	-
Paul Williams	87%	72%	13%	28%	-	-
Brad Lancken	93%	-	7%	-	-	-
Stephen Borness	100%	-	-	-	-	-
Joshua May	-	100%	-	-	-	-
Gregg Taylor	-	100%	-	-	-	-
David Wellington	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Ronald Van der Pluijm	93%	96%	7%	4%	-	-
<i>Other Key Management Personnel:</i>						
Douglas Henry	68%	-	32%	-	-	-
Paul O'Connor	68%	-	32%	-	-	-
Michael Pollitt	51%	-	49%	-	-	-

Directors' report (continued)

30 June 2020

Service agreements

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

Name: Michael Hill
Title: Non-Executive Chairman
Agreement commenced: 31 May 2019
Details: \$80,000 per annum including superannuation. No notice period.

Name: Ronald Van der Pluijm
Title: Managing Director and Chief Executive Officer
Agreement commenced: 31 May 2019
Details: \$320,000 per annum including superannuation. 3 months' termination notice.

Name: Andrew Gray
Title: Non-Executive Director
Agreement commenced: 31 May 2019
Details: \$60,000 per annum including superannuation. No notice period.

Name: Neil Broekhuizen (resigned 31 May 2020)
Title: Non-Executive Director
Agreement commenced: 31 May 2019
Details: \$60,000 per annum including superannuation. No notice period.

Name: Paul Williams
Title: Non-Executive Director
Agreement commenced: 31 May 2019
Details: \$60,000 per annum including superannuation. No notice period.

Name: Brad Lancken
Title: Non-Executive Director
Agreement commenced: 18 October 2019
Details: \$60,000 per annum including superannuation. No notice period.

Name: Stephen Borness
Title: Non-Executive Director
Agreement commenced: 10 June 2020
Details: \$60,000 per annum including superannuation. No notice period

Name: Douglas Henry
Title: Executive
Agreement commenced: 10 June 2020
Details: \$250,000 per annum including superannuation. 3 months' termination notice.

Name: Michael Pollitt
Title: Executive
Agreement commenced: 10 June 2020
Details: \$250,000 per annum including superannuation. 3 months' termination notice.

Name: Paul O'Connor
Title: Executive
Agreement commenced: 10 June 2020
Details: \$250,000 per annum including superannuation. 3 months' termination notice.

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

Share-based compensation

Issue of shares

There were no shares issued to directors as part of compensation during the period ended 30 June 2020.

Options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Ronald Van der Pluijm	800,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Andrew Gray	750,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Neil Broekhuizen*	375,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Paul Williams	150,000	30/05/2019	29/05/2021	29/05/2024	\$0.20	\$0.058
Brad Lancken	375,000	29/05/2020	29/05/2022	10/06/2025	\$0.20	\$0.095

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

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

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

Performance rights

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

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Ronald Van der Pluijm	800,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Andrew Gray	2,000,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Neil Broekhuizen*	1,000,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Paul Williams	400,000	30/05/2019	29/05/2021	29/05/2024	\$0.40	\$0.090
Douglas Henry	1,000,000	29/05/2020	30/06/2021	10/06/2023	\$0.00	\$0.180
Paul O'Connor	1,000,000	29/05/2020	30/06/2021	10/06/2023	\$0.00	\$0.180
Michael Pollitt	2,000,000	29/05/2020	30/06/2021	10/06/2023	\$0.00	\$0.180
Brad Lancken	1,000,000	29/05/2020	29/05/2022	10/06/2025	\$0.00	\$0.136

* resigned on 31 May 2020

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

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

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

Directors' report (continued)

30 June 2020

Additional information

The earnings of the consolidated entity for the two years to 30 June 2020 are summarised below:

	2020	The period from 26 June 2018 to 30 June 2019
	\$	\$
Sales revenue	4,124,724	294,433
EBITDA	845,011	(811,714)
EBIT	335,941	(842,699)
Profit/(loss) after income tax	382,902	(932,360)

	2020	The period from 26 June 2018 to 30 June 2019
	\$	\$
Share price at financial year end (\$)	0.17	0.19
Basic earnings per share (cents per share)	0.30	(5.05)
Diluted earnings per share (cents per share)	0.26	(5.05)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Michael Hill***	1,250,000	-	117,000	-	1,367,000
Ronald Van der Pluijm*	250,000	-	-	-	250,000
Andrew Gray**	1,350,000	-	-	-	1,350,000
Neil Broekhuizen*	1,300,000	-	-	-	1,300,000
Paul Williams*	250,000	-	-	-	250,000
Brad Lancken	-	-	1,000,000	-	1,000,000
Stephen Borness****	-	-	9,705,127	-	9,705,127
Douglass Henry****	-	-	17,896,624	-	17,896,624
Paul O'Connor****	-	-	18,932,213	-	18,932,213
Michael Pollitt****	-	-	3,759,547	-	3,759,547
	4,400,000	-	51,410,511	-	55,810,511

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

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

*** Michael Hill elected to put 625,000 shares as per the IPO in voluntary escrow.

**** 50% of the shares issued to these directors are placed in escrow accounts for 12 months from issue and the remaining 50% is placed in escrow accounts for 24 months from issue.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Ronald Van der Pluijm	800,000	-	-	-	800,000
Andrew Gray	750,000	-	-	-	750,000
Neil Broekhuizen*	750,000	-	-	(375,000)	375,000
Paul Williams	150,000	-	-	-	150,000
Brad Lancken	-	375,000	-	-	375,000
	2,450,000	375,000	-	(375,000)	2,450,000

* resigned on 31 May 2020

Performance rights holding

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

	Balance at the start of the year	Granted	Vested	Expired/forfeited/other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Ronald Van der Pluijm	800,000	-	-	-	800,000
Andrew Gray	2,000,000	-	-	-	2,000,000
Neil Broekhuizen*	2,000,000	-	-	(1,000,000)	1,000,000
Paul Williams	400,000	-	-	-	400,000
Douglas Henry	-	1,000,000	-	-	1,000,000
Paul O'Connor	-	1,000,000	-	-	1,000,000
Michael Pollitt	-	2,000,000	-	-	2,000,000
Brad Lancken	-	1,000,000	-	-	1,000,000
	5,200,000	5,000,000	-	(1,000,000)	9,200,000

* resigned on 31 May 2020

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
01/10/2018	30/09/2023	\$0.10	7,000,000
30/05/2019	29/05/2024	\$0.20	3,775,000
29/05/2020	29/05/2022	\$0.20	375,000
			11,150,000

Directors' report (continued)

30 June 2020

Shares under performance rights

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

Grant date	Expiry date	Exercise price	Number under rights
30/05/2019	29/05/2024	\$0.00	4,200,000
29/05/2020	29/05/2023	\$0.00	4,000,000
29/05/2020	29/05/2025	\$0.00	1,000,000
			9,200,000

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

Shares issued on the exercise of options

There were no ordinary shares of PKS Holdings Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of PKS Holdings Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 23 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Auditor's independence declaration

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

Auditor

HLB Mann Judd Assurance (NSW) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Michael Hill

Chairman

28 August 2020

Auditor's independence declaration



Auditor's Independence Declaration to the directors of PKS Holdings Limited:

As lead auditor for the audit of the consolidated financial report of PKS Holdings Ltd for the period ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

A handwritten signature in black ink, appearing to read 'S P James'.

**Sydney, NSW
28 August 2020**

**S P James
Partner**

hib.com.au

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HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

Financial Report

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General information

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

PKS Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 5 126 Phillip Street Sydney, NSW 2000	Suite 310, 3rd floor/50 Holt St, Surry Hills NSW 2010

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 28 August 2020. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	Consolidated 2020	2019
		\$	\$
Revenue	4	4,124,724	294,433
Other income	5	147,435	5,694
Expenses			
Employee benefits expense		(1,228,353)	(281,385)
Depreciation and amortisation expense	6	(509,070)	(30,985)
Finance costs	6	(5,746)	(2)
Sales and marketing		(325,596)	(67,361)
Occupancy costs		(15,260)	(10,319)
Compliance costs		(69,411)	(102,562)
Professional fees		(1,018,726)	(475,923)
Share based payment expense		(314,708)	(155,145)
Other expenses		(454,197)	(19,146)
Profit/(loss) before income tax benefit/(expense)		331,092	(842,701)
Income tax benefit/(expense)	7	51,810	(89,659)
Profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of PKS Holdings Limited	19	382,902	(932,360)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		20,057	-
Other comprehensive income for the year, net of tax		20,057	-
Total comprehensive income/(loss) for the year attributable to the owners of PKS Holdings Limited		402,959	(932,360)
		Cents	Cents
Basic earnings per share	35	0.30	(5.05)
Diluted earnings per share	35	0.26	(5.05)

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

Statement of financial position

As at 30 June 2020

	Note	Consolidated 2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,204,932	4,136,342
Trade and other receivables	8	1,221,970	1,134,933
Contract assets		19,211	-
Current tax assets	7	100,000	56,940
Total current assets		5,546,113	5,328,215
Non-current assets			
Property, plant and equipment	9	83,291	68,371
Right-of-use assets	10	41,167	-
Intangibles	11	25,663,037	15,578,131
Deferred tax assets	7	887,881	391,344
Total non-current assets		26,675,376	16,037,846
Total assets		32,221,489	21,366,061
Liabilities			
Current liabilities			
Trade and other payables	12	734,687	322,238
Contract liabilities	13	1,651,138	506,585
<i>Lease liabilities</i>	14	44,273	-
Income tax	7	11,220	-
Employee benefits	15	346,198	146,271
Total current liabilities		2,787,516	975,094
Non-current liabilities			
Deferred tax liabilities	7	191,853	192,481
Employee benefits	16	26,817	25,563
Total non-current liabilities		218,670	218,044
Total liabilities		3,006,186	1,193,138
Net assets		29,215,303	20,172,923
Equity			
Issued capital	17	29,363,535	20,907,473
Reserves	18	405,620	197,810
Accumulated losses	19	(553,852)	(932,360)
Total equity		29,215,303	20,172,923

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

Statement of changes in equity

For the year ended 30 June 2020

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$
Balance at 26 June 2018				
Loss after income tax expense for the year	-	-	(932,360)	(932,360)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(932,360)	(932,360)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	20,907,473	-	-	20,907,473
Share-based payments (note 32)	-	197,810	-	197,810
Balance at 30 June 2019	20,907,473	197,810	(932,360)	20,172,923
	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2019	20,907,473	197,810	(932,360)	20,172,923
Adjustment for change in accounting policy	-	-	(6,349)	(6,349)
Balance at 1 July 2019 - restated	20,907,473	197,810	(938,709)	20,166,574
Profit after income tax expense for the year	-	-	382,902	382,902
Other comprehensive income for the year, net of tax	-	20,057	-	20,057
Total comprehensive income for the year	-	20,057	382,902	402,959
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 32)	-	189,708	-	189,708
Issue of shares for the acquisition of Pavilion Health (note 17)	8,425,633	-	-	8,425,633
Issue of shares for advisory services rendered in connection to acquisition of Pavilion Health	125,000	-	-	125,000
Transaction costs, net of tax	(94,571)	-	-	(94,571)
Transfer to accumulated losses	-	(1,955)	1,955	-
Balance at 30 June 2020	29,363,535	405,620	(553,852)	29,215,303

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	Consolidated 2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,831,338	72,466
Payments to suppliers and employees (inclusive of GST)		(2,836,853)	(1,092,632)
		994,485	(1,020,166)
Grant income		100,000	-
Interest received		897	1,505
Interest and other finance costs paid		(5,746)	(2)
Income taxes paid		(43,059)	-
Net cash from/(used in) operating activities	31	1,046,577	(1,018,663)
Cash flows from investing activities			
Cash from/(Payment for) purchase of business, net of cash acquired	28	221,847	(15,449,414)
Payments for property, plant and equipment	9	(20,665)	-
Payments for intangibles	11	(1,052,040)	(119,259)
Proceeds from disposal of property, plant and equipment		1,364	-
Net cash used in investing activities		(849,494)	(15,568,673)
Cash flows from financing activities			
Proceeds from issue of shares	17	-	21,718,200
Share issue transaction costs		-	(994,522)
Repayment of lease liabilities		(128,493)	-
Net cash (used in)/from financing activities		(128,493)	20,723,678
Net increase in cash and cash equivalents		68,590	4,136,342
Cash and cash equivalents at the beginning of the financial year		4,136,342	-
Cash and cash equivalents at the end of the financial year		4,204,932	4,136,342

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

Notes to the financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or 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.

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

AASB 16 Leases ("AASB 16")

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.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3.

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 27.

Principles of consolidation

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

Note 1. Significant accounting policies (continued)

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 deconsolidated 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.

Foreign currency translation

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

Foreign currency transactions

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

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 ex-changed 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.

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 reason-able expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

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

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

The loss allowance is recognised in profit or loss.

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.

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 has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

Note 2. Critical accounting judgements, estimates and assumptions

Share-based payment transactions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

Income tax

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

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 15, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

30 June 2020

Capitalisation of intangibles

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

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

Business combinations

As discussed in note 28, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Impact of COVID-19 pandemic

As at 30 June 2020, the Group performed an assessment of the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on projects, assets and liabilities. This assessment, which required the use of significant judgements and estimates, had no material impact on the Group consolidated financial statements for the fiscal year ended 30 June 2020. The estimates will continue to be reviewed during fiscal year 2021.

Note 3. Impact on the adoption of AASB 16 Leases

The consolidated entity has adopted AASB 16 Leases ("AASB 16") using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in accumulated losses at 1 July 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policy which are included in note 1. Practical expedients applied on transition and the impact on adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;

- + the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- + reliance on previous assessments on whether leases are onerous;
- + the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- + the use of a single discount rate to a portfolio of leases with similar characteristics.

Note 3. Impact on the adoption of AASB 16 Leases (continued)

Impact of adoption

On the date of initial application, the consolidated entity recognised lease liabilities in relation to leases which has previously been classified as operating leases under the principals of AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 5.0%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if the new rules had always been applied.

	1 July 2019
Reconciliation of lease liabilities:	
Non-cancellable operating leases at 30 June 2019	168,145
Discount using the lessee's incremental borrowing rate of at the ate of initial application	(5,860)
Add: leases recognised as a result of adoption of new accounting standard	10,480
Lease liabilities recognised on 1 July 2019	172,765

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- + Right-of-use assets - increased by \$166,416
- + Lease liabilities - increased by \$172,765

The net impact on accumulated losses on 1 July 2019 was a decrease of \$6,349.

Note 4. Revenue

	Consolidated	
	2020	2019
	\$	\$
Initial licence fees	104,134	7,113
Annual licence fees	891,991	58,724
Usage fees	2,895,900	218,693
Training and other services	124,913	8,647
Consulting and development revenue	107,786	1,256
Revenue	4,124,724	294,433

Disaggregation of revenue

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

Note 4. Revenue (continued)

	Initial licence fees	Annual licence fees	Usage fees	Consulting and development revenue	Training and other services	Total
Consolidated - 2020	\$	\$	\$	\$	\$	\$
<i>Sales channels</i>						
Direct - Pathology	-	302,459	2,463,727	-	21,481	2,787,667
Direct - Hospital	-	235,458	-	91,161	-	326,619
Global partners	104,134	354,074	432,173	16,625	103,432	1,010,438
	104,134	891,991	2,895,900	107,786	124,913	4,124,724
<i>Geographical regions</i>						
Australia	7,422	430,473	1,378,499	91,161	2,492	1,910,047
Europe	82,028	397,913	236,730	5,356	30,642	752,669
Rest of the world	14,684	63,605	1,280,671	11,269	91,779	1,462,008
	104,134	891,991	2,895,900	107,786	124,913	4,124,724
<i>Timing of revenue recognition</i>						
Revenue recognised at a point in time	104,134	-	-	-	-	104,134
Services transferred over time	-	891,991	2,895,900	107,786	124,913	4,020,590
	104,134	891,991	2,895,900	107,786	124,913	4,124,724

	Initial licence fees	Annual licence fees	Usage fees	Consulting and development revenue	Training and other services	Total
Consolidated - 2019	\$	\$	\$	\$	\$	\$
<i>Sales channels</i>						
Direct - Pathology	-	32,209	191,668	-	-	223,877
Global partners	7,113	26,515	27,025	1,256	8,647	70,556
	7,113	58,724	218,693	1,256	8,647	294,433
<i>Geographical regions</i>						
Australia	-	16,098	94,726	-	-	110,824
Europe	7,113	30,067	14,047	-	403	51,630
Rest of the world	-	12,559	109,920	1,256	8,244	131,979
	7,113	58,724	218,693	1,256	8,647	294,433
<i>Timing of revenue recognition</i>						
Revenue recognised at a point in time	7,113	-	-	-	-	7,113
Services transferred over time	-	58,724	218,693	1,256	8,647	287,320
	7,113	58,724	218,693	1,256	8,647	294,433

Note 4. Revenue (continued)

Accounting policy for Revenue from Contracts with Customers

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

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

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

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

Initial licence fees

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

Annual licence fees

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

Usage fee

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

Training and other services

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

Consulting and Development revenue

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

Note 5. Other income

	Consolidated	
	2020	2019
	\$	\$
Net foreign exchange gain	3,474	4,189
Net gain on disposal of property, plant and equipment	1,364	-
Government grants	134,500	-
Interest received	897	1,505
Other	7,200	-
Other income	147,435	5,694

Government grants represent the financial supports provided by the government as a response to the COVID-19 global pandemic.

Accounting policy for other income

Interest income

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.

Government grant

Government grants are recognised at fair value where there is reasonable assurance the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Except for amount received under the R&D tax incentive pro-gram, grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Note 6. Expenses

	Consolidated	
	2020	2019
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	4,083	433
Plant and equipment	15,354	521
Fixtures and fittings	4,523	384
Buildings right-of-use assets	125,250	-
Total depreciation	149,210	1,338
<i>Amortisation</i>		
Software	220,235	18,694
Capitalised development costs	139,625	10,953
Total amortisation	359,860	29,647
Total depreciation and amortisation	509,070	30,985
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	5,746	-
Other	-	2
Finance costs expensed	5,746	2
<i>Leases</i>		
Minimum lease payments *	-	10,129
Short-term lease payments	6,139	-
Total lease payment	6,139	10,129
<i>Superannuation expense</i>		
Defined contribution superannuation expense	188,237	25,595

* Minimum lease payments represents lease payments recognised under AASB 117 - Leases.

Accounting policy for 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.

Accounting policy for Defined contribution superannuation expense

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

Note 7. Income tax

30 June 2020

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax (benefit)/expense</i>		
Current tax	-	102,071
Deferred tax - origination and reversal of temporary differences	(51,810)	(12,412)
Aggregate income tax (benefits)/expense	(51,810)	89,659
Deferred tax included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets	(42,555)	(32,108)
Increase/(decrease) in deferred tax liabilities	(9,255)	19,696
Deferred tax - origination and reversal of temporary differences	(51,810)	(12,412)
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
Profit/(loss) before income tax (benefit)/expense	331,092	(842,701)
<i>Tax at the statutory tax rate of 27.5%</i>	91,050	(231,743)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	158,805	63,327
<i>Non-taxable income</i>	(27,500)	-
	222,355	(168,416)
Current year tax losses not recognised	26,768	168,416
Other items	(132,777)	89,659
Prior year tax losses not recognised now recouped	(168,156)	-
Income tax expense	(51,810)	89,659
	Consolidated	
	2020	2019
	\$	\$
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets	94,571	(261,461)

Note 7. Income tax (continued)

	Consolidated	
	2020	2019
	\$	\$
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	12,211	-
Employee benefits	102,579	47,254
Lease liabilities	12,175	-
Accrued expenses	41,486	30,374
Contract liabilities	454,063	52,820
Software development	27,107	(10,642)
Patents and trademarks	5,805	10,077
Unrealised foreign exchange gain	3,527	-
Tax losses available to offset against future income	26,768	-
Blackhole capital expenditures	35,272	-
	720,993	129,883
Amounts recognised in equity:		
Transaction costs on share issue	166,888	218,796
Reserve for share based payments	-	42,665
	166,888	261,461
Deferred tax asset	887,881	391,344
Movements:		
Opening balance	391,344	-
Credited to profit or loss	42,555	32,108
Credited/(charged) to equity	(94,571)	261,461
Additions through business combinations (note 28)	548,553	97,775
Closing balance	887,881	391,344

Note 7. Income tax (continued)

	Consolidated	
	2020	2019
	\$	\$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Prepayments	59,744	18,581
Right-of-use assets	11,321	-
Capitalised development expenditures	120,788	172,785
Sundry items	-	1,115
Deferred tax liability	191,853	192,481
Movements:		
Opening balance	192,481	-
Charged/(credited) to profit or loss	(9,255)	19,696
Additions through business combinations (note 28)	8,627	172,785
Closing balance	191,853	192,481
<i>Current tax assets</i>		
Current tax assets	100,000	56,940
<i>Provision for income tax</i>		
Provision for income tax	11,220	-

Accounting policy for 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.

Note 7. Income tax (continued)

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

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

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

PKS Holdings 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.

Note 8 Current assets - trade and other receivables

	Consolidated 2020	2019
	\$	\$
Trade receivables	939,729	788,902
Less: Allowance for expected credit losses	(44,404)	-
	895,325	788,902
Other receivables	94,786	236,265
Deposits and prepayments	231,859	109,766
	1,221,970	1,134,933

Allowance for expected credit losses

No expected credit losses were recognised in profit or loss for the period ended 30 June 2020 as there is no recoverability issue historically.

The allowance of expected credit losses at year end represents allowance recognised as part of business combination, refer to note 28.

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

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2020	2019
	\$	\$
0 to 3 months overdue	-	-
3 to 6 months overdue	36,406	-
Over 6 months overdue	7,998	-
	44,404	-

Note 8 Current assets - trade and other receivables (continued)

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

	Consolidated	
	2020	2019
	\$	\$
Opening balance	-	-
Additions through business combinations	44,404	-
Closing balance	44,404	-

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2020	2019
	\$	\$
Under 30 days overdue	-	-
31-60 days overdue	175,520	162,651
Over 60 days overdue	308,221	119,381
	483,741	282,032

Accounting policy for 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 9. Non-current assets - property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
Leasehold improvements - at cost	66,298	53,359
Less: Accumulated depreciation	(33,387)	(27,792)
	32,911	25,567
Fixtures and fittings - at cost	106,411	102,931
Less: Accumulated depreciation	(76,969)	(69,348)
	29,442	33,583
Property and equipment - at cost	246,916	146,291
Less: Accumulated depreciation	(225,978)	(137,070)
	20,938	9,221
Total property, plant and equipment	83,291	68,371

Note 9. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

	Leasehold improvements	Fixtures and fittings	Property and equipment	Total
Consolidated	\$	\$	\$	\$
Balance at 26 June 2018	-	-	-	-
Additions through business combinations (note 28)	26,000	33,967	9,742	69,709
Depreciation expense	(433)	(384)	(521)	(1,338)
Balance at 30 June 2019	25,567	33,583	9,221	68,371
Additions	-	-	20,665	20,665
Additions through business combinations (note 28)	11,426	389	6,530	18,345
Exchange differences	-	(7)	(123)	(130)
Depreciation expense	(4,082)	(4,523)	(15,355)	(23,960)
Balance at 30 June 2020	32,911	29,442	20,938	83,291

Accounting policy for Property, plant and equipment

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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

	Consolidated	
	2020	2019
	\$	\$
Buildings - right-of-use	271,478	-
Less: Accumulated depreciation	(230,311)	-
	41,167	-

Note 10. Non-current assets - right-of-use assets (continued)

Accounting policy for 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.

Note 11. Non-current assets - intangibles

	Consolidated 2020	2019
	\$	\$
Goodwill - at cost	22,050,123	12,658,188
Capitalised development costs - at cost	1,870,908	818,868
Less: Accumulated amortisation	(221,856)	(82,231)
	1,649,052	736,637
Intellectual property - at cost	2,258,966	2,258,966
Less: Accumulated amortisation	(2,258,966)	(2,258,966)
	-	-
Patents and trademarks - at cost	23,981	23,981
Less: Accumulated amortisation	(23,981)	(23,981)
	-	-
Software - at cost	2,206,902	2,202,000
Less: Accumulated amortisation	(243,040)	(18,694)
	1,963,862	2,183,306
Total intangibles	25,663,037	15,578,131

Note 11. Non-current assets - intangibles (continued)

Reconciliations

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

	Goodwill	Capitalised development costs	Software	Total
Consolidated	\$	\$	\$	\$
Balance at 26 June 2018	-	-	-	-
Additions	-	119,259	-	119,259
Additions through business combinations (note 28)	12,658,188	628,331	2,202,000	15,488,519
Amortisation expense	-	(10,953)	(18,694)	(29,647)
Balance at 30 June 2019	12,658,188	736,637	2,183,306	15,578,131
Additions	-	1,052,040	-	1,052,040
Additions through business combinations (note 28)	9,391,935	-	791	9,392,726
Amortisation expense	-	(139,625)	(220,235)	(359,860)
Balance at 30 June 2020	22,050,123	1,649,052	1,963,862	25,663,037

Goodwill relates to the acquisition of Pacific Knowledge Systems Pty Ltd. ("PKS") in May 2019 and acquisition of Pavilion Health Australia Pty Ltd. ("Pavilion") in May 2020. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGUs") which represent the lowest level within the Group at which goodwill is monitored by internal management as follows:

	Consolidated 2020	2019
	\$	\$
CGUs		
Clinical Decision Support ("CDS")	12,658,188	12,658,188
Pavilion	9,391,935	-
	22,050,123	12,658,188

Review of carrying value

The recoverable amount of goodwill has been determined on a value-in-use basis using a discounted cash flow approach, and projections based on financial budgets approved by the Board, and four-year forward plans supplied by management.

Key assumptions

- + Compound Annual Growth Rate ("CAGR") of 17%
- + Discount rates (pre-tax): 10%
- + Terminal growth rate: 2.5%

Based on the key assumptions above, the recoverable amount of the CDS and Pavilion CGUs exceed the carrying amount of the CGUs. Consequently, no impairment is recognised.

Sensitivity to change in assumptions

Note 11. Non-current assets - intangibles (continued)

The calculation of value in use is most sensitive to the following assumptions:

- + Discount rates
- + CAGR during the forecast period
- + Terminal growth rate used to extrapolate cash flow beyond forecast period

Discount rates - Discount rates represent the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying cash flows expected from CGU being assessed. CGU specific risk is incorporated by applying individual beta factors. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from the weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Noting that the Group had no debt at 30 June 2020, the cost of debt is based on the capital structure that could be expected from a similar market participant.

Revenue growth - Revenue projections have been constructed with reference to the FY21 budget and four-year forward looking plans.

Terminal growth rate - A terminal growth rate of 2.5% has been applied for future cash flow growth beyond the four-year forecast period. The terminal value is discounted to present values using the discount rate specific to each CGU.

Sensitivity analysis

If discount rates were changed to the rates detailed in the table below with no change to any of the other assumptions, the estimated recoverable amount would approximately equal the carrying amount.

If forecast revenue used was changed by the amounts noted in the table below with no change to any of the other assumptions the estimated recoverable amount would approximately equal the carrying amount.

	CDS	Pavilion
	%	%
Discount rate – change discount rates to	17.10%	22.50%
Change in CAGR – reduce CAGR by	46.00%	40.00%

Accounting policy for 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.

Capitalised development expenditures

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Software

Software acquired through business combinations were independently valued and recognised at fair value. Software is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 11. Non-current assets - intangibles (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.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	405,275	119,634
Accrued expenses	105,960	110,561
Other payables	223,452	92,043
	734,687	322,238

Refer to note 21 for further information on financial instruments.

Accounting policy for 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.

Note 13. Current liabilities - contract liabilities

	Consolidated	
	2020	2019
	\$	\$
Contract liabilities	1,651,138	506,585
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	506,585	-
Payments received in advance	1,045,140	144,160
Additions through business combinations (note 28)	1,608,090	473,847
Transfer to revenue - performance obligations satisfied in previous periods	(1,508,045)	(111,422)
Exchange rate differences	(632)	-
Closing balance	1,651,138	506,585

Note 13. Current liabilities - contract liabilities (continued)

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$1,651,138 as at 30 June 2020 (\$506,585 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2020	2019
	\$	\$
Within 6 months	1,095,410	427,957
6 to 12 months	555,728	78,628
	1,651,138	506,585

Accounting policy for Contract liabilities

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

Note 14. Current liabilities - lease liabilities

	Consolidated	
	2020	2019
	\$	\$
Lease liability	44,273	-

Refer to note 21 for further information on financial instruments.

Accounting policy for 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 re-measured 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.

Note 15. Current liabilities - employee benefits

	Consolidated	
	2020	2019
	\$	\$
Annual leave	234,979	72,251
Long service leave	111,219	74,020
	346,198	146,271

Note 15. Current liabilities - employee benefits (continued)

Accounting policy for 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.

Note 16. Non-current liabilities - employee benefits

	Consolidated	
	2020	2019
	\$	\$
Long service leave	26,817	25,563

Accounting policy for 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.

Note 17. Equity - issued capital

	2020	2019	2020	2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	186,370,231	121,141,000	29,363,535	20,907,473

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	26 June 2018	-	-	-
Issue of shares	11 November 2018	16,400,000	\$0.05	770,000
Share issue transaction costs, net of tax	11 November 2018	-	\$0.00	(21,655)
Issue of shares	3 June 2019	104,741,000	\$0.20	20,948,200
Share issue transaction costs, net of tax	3 June 2019	-	\$0.00	(789,072)
Balance	30 June 2019	121,141,000	-	20,907,473
Issue of shares for the acquisition of Pavilion Health	5 June 2020	64,812,564	\$0.13	8,425,633
Issue of shares for advisory services rendered in connection to the acquisition of Pavilion Health	5 June 2020	416,667	\$0.30	125,000
Share issue transaction costs, net of tax	30 June 2020	-	-	(94,571)
Balance	30 June 2020	186,370,231	-	29,363,535

Note 17. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Accounting policy for Share 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.

Note 18. Equity - reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency reserve	20,057	-
Share based payments reserve	385,563	197,810
	405,620	197,810

Note 18. Equity - reserves (continued)

Share based payments reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share based payments reserve	Foreign cur-rency reserve	Total
Consolidated	\$	\$	\$
Balance at 26 June 2018	-	-	-
Share based payments to directors and employees	30,956	-	30,956
Share based payments to other parties	124,189	-	124,189
Deferred tax	42,665	-	42,665
Balance at 30 June 2019	197,810	-	197,810
Foreign currency translation	-	20,057	20,057
Share based payments to directors and employees	64,708	-	64,708
Share based payments to other parties	125,000	-	125,000
Transfer to accumulated losses	(1,955)	-	(1,955)
Balance at 30 June 2020	385,563	20,057	405,620

Note 19. Equity - accumulated losses

	Consolidated	
	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	(932,360)	-
Adjustment for change in accounting policy	(6,349)	-
Accumulated losses at the beginning of the financial year - restated	(938,709)	-
Profit/(loss) after income tax (benefit)/expense for the year	382,902	(932,360)
Transfer from options reserve	1,955	-
Accumulated losses at the end of the financial year	(553,852)	(932,360)

Note 20. Equity - dividends

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

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.

Note 21. Financial instruments (continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

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

	Average exchange rates		Reporting date exchange rates	
	2020	2019	2020	2019
Australian dollars				
US dollars	0.6714	0.7159	0.6863	0.7013
Euro	0.6069	0.6271	0.6111	0.6171

	2020	2019	2020	2019
	\$	\$	\$	\$
US dollars	2,182,598	516,974	-	-
Euro	80,911	156,019	-	-
	2,263,509	672,993	-	-

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

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax \$	Effect on equity \$	% change	Effect on profit before tax \$	Effect on equity \$
Consolidated - 2020						
US dollars	10%	(218,260)	(218,260)	10%	218,260	218,260
Euro	10%	(8,091)	(8,091)	10%	8,091	8,091
		(226,351)	(226,351)		226,351	226,351

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax \$	Effect on equity \$	% change	Effect on profit before tax \$	Effect on equity \$
Consolidated - 2019						
US dollars	10%	(51,697)	(51,697)	10%	(51,697)	(51,697)
Euro	10%	(15,608)	(15,608)	10%	(15,608)	(15,608)
		(67,305)	(67,305)		(67,305)	(67,305)

Price risk

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

Note 21. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

Liquidity risk

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

Remaining contractual maturities

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2020	%	\$	\$	\$	\$	\$
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	734,686	-	-	-	734,686
<i>Interest-bearing - variable</i>						
Lease liability	5%	44,723	-	-	-	44,723
Total non-derivatives		779,409	-	-	-	779,409

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

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

Fair value of financial instruments

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

Note 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:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	655,023	279,148
Post-employment benefits	58,977	7,000
Long-term benefits	372	11
Share-based payments	147,432	26,668
	861,804	312,827

Note 23. Remuneration of auditors

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

	Consolidated	
	2020	2019
	\$	\$
Audit services - HLB Mann Judd Assurance (NSW) Pty Ltd		
Audit or review of the financial statements	77,000	59,000
Other services - HLB Mann Judd		
Preparation of the tax return & other advisory services	19,150	18,000
Due diligence	-	51,000
	19,150	69,000
	96,150	128,000

Note 24. Contingent liabilities

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

Note 25. Commitments

	Consolidated	
	2020	2019
	\$	\$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	125,602
One to five years	-	42,543
	-	168,145

Note 25. Commitments (continued)

At 30 June 2019, operating lease commitments includes contracted amounts for the consolidated entity's office premise under non-cancellable operating leases expiring within 2 years. From 1 July 2019, these leases have been accounted for as a right-of-use asset (refer to note 10) and lease liabilities (refer to note 14) in accordance with AASB 16. Refer to note 3 for further details.

Note 26. Related party transactions

Parent entity

PKS Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

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

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

Amount payable to Celerity Associates Pty Limited, a company related to Stephen Borness is \$5,000 (2019: nil) for the services rendered.

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

Loans to/from related parties

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

Note 27. 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	2019
	\$	\$
Loss after income tax	(334,971)	(906,502)
Total comprehensive loss	(334,971)	(906,502)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	126,471	322,820
Total assets	28,613,951	20,296,379
Total current liabilities	91,173	97,598
Total liabilities	91,173	97,598
Equity		
Issued capital	29,378,688	20,907,473
Share based payments reserve	385,563	197,810
Accumulated losses	(1,241,473)	(906,502)
Total equity	28,522,778	20,198,781

Note 27. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: \$Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 (2019: \$Nil).

Significant accounting policies

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

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

Note 28. Business combinations

(a) Current period acquisition - Pavilion Health Australia Pty Ltd ("Pavilion")

On 31 May 2020, PKS Holdings Limited acquired 100% of the ordinary shares of Pavilion Health Australia Pty Ltd through the issuance of 64,812,564 ordinary shares at the price of 13 cents per share, giving a total consideration of \$8,425,633.

Pavilion Health Australia Pty Ltd owns 100% of the issued capital of the following entities:

- + Pavilion Health Technology Pty Ltd
- + Pavilion Health Services Pty Ltd
- + Pavilion Europe PTE Limited

Pavilion is a market-leading provider of SaaS audit and risk management software primarily for hospital and governing health bodies. Pavilion's suite of products and services includes the Pavilion audit tool (**PICQ**), Pavilion safety and quality risk tool (**RISQ**) as well as **Codexpert** which provides an e-Book for full health data classification for coding of patient record. The acquisition of Pavilion will create significant opportunities in the pathology and hospital sectors through their complementary health information solutions.

The acquired business contributed revenues of \$326,620 and profit before tax of \$72,230 to the consolidated entity for the period from 1 June 2020 to 30 June 2020. If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and profit for the year ended 30 June 2020 would have been \$7,462,000 and \$339,000 respectively.

Note 28. Business combinations (continued)

The goodwill of \$9,391,935 arising on acquisition relates predominantly to the key management, specialised know-how of the workforce, employee relationship, competitive position and service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition. Goodwill will not be deductible for tax purposes.

The identification and fair value measurement of the assets and liabilities acquired are provisional and amendments may be made to these figures up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the date.

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	221,847
Trade and other receivables	798,406
Allowance of credit losses	(44,404)
Property, plant and equipment	18,345
Software	791
Deferred tax	539,926
Trade and other payables	(724,632)
Contract liabilities	(1,608,090)
Provision for income tax	(11,220)
Employee benefits	(133,318)
Foreign exchange translation reserve	(23,953)
Net liabilities acquired	(966,302)
Goodwill	9,391,935
Acquisition-date fair value of the total consideration transferred	8,425,633
Representing:	
PKS Holdings Limited shares issued to vendor	8,425,633
Acquisition costs expensed to profit or loss	553,890

(b) Prior period acquisition - Pacific Knowledge Systems Pty Ltd

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

Note 28. Business combinations (continued)

The values identified in relation to the acquisition of DPP Holdings Limited were provisional as at 30 June 2019.

Subsequent to the 30 June 2019 financial statements, during the provisional accounting period, the Group identified additional facts and circumstances not included in the provisional acquisition accounting. These include:

- + Identification of assets on acquisition which were determined based on third-party valuation and where appropriate required amortised over their anticipated effective useful life.
- + Revision of deferred taxes as a result of the revision of fair value of the assets acquired.

The impact of prior period comparatives of the above provisional accounting adjustments are as follows:

	2019		2020
	Reported \$	Adjustment \$	Restated \$
Cash and cash equivalent	50,586	-	50,586
Trade and other receivables	611,165	-	611,165
Current tax assets	159,011	-	159,011
Property, plant and equipment	69,709	-	69,709
Software	1,301,311	900,689	2,202,000
Capitalised development expenditures	-	628,331	628,331
Deferred tax	677,584	(752,594)	(75,010)
Trade and other payables	(170,684)	-	(170,684)
Employee benefits	(159,449)	-	(159,449)
Contract liabilities	(473,847)	-	(473,847)
Net assets acquired	2,065,386	776,426	2,841,812
Goodwill	13,434,614	(776,426)	12,658,188
Acquisition-date fair value of the total consideration transferred	15,500,000	-	15,500,000

	Fair value
	\$
Representing:	
Cash paid or payable to vendor	15,500,000
Acquisition costs expensed to profit or loss	307,605
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	15,500,000
Less: cash and cash equivalents	(50,586)
Net cash used	15,449,414

	Consolidated	
	2020	2019
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	15,500,000
Less: cash and cash equivalents	(221,847)	(50,586)
Net cash used/(received)	(221,847)	15,449,414

Note 28. Business combinations (continued)

Accounting policy for Business Combination

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. All acquisition costs are expensed as incurred to profit or loss.

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

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired.

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

Note 29. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
DPP Holdings Pty Ltd	Australia	100.00%	100.00%
Pacific Knowledge Systems Pty Ltd	Australia	100.00%	100.00%
Pavilion Health Australia Pty Ltd	Australia	100.00%	-
Pavilion Health Technology Pty Ltd	Australia	100.00%	-
Pavilion Health Services Pty Ltd	Australia	100.00%	-
Pavilion Health Europe PTE Limited	Ireland	100.00%	-

Note 30. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing. Our assessment of the impact on future operations is disclosed in note 33 of the financial statements.

Note 31. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

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.

	Consolidated	
	2020	2019
	\$	\$
Profit/(loss) after income tax benefit/(expense) for the year	382,902	(932,360)
Adjustments for:		
Depreciation and amortisation	509,070	30,985
Net gain on disposal of property, plant and equipment	(1,364)	-
Share-based payments	314,708	155,145
Foreign exchange differences	(3,767)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	659,860	(523,768)
Increase in contract assets	(12,108)	-
Increase in deferred tax assets	(51,809)	-
(Increase)/Decrease in current tax assets	(43,060)	102,071
Increase/(decrease) in trade and other payables	(312,185)	116,554
Decrease in deferred tax liabilities	-	(12,412)
Increase in employee benefits	67,863	12,385
Increase in contract liabilities	(463,533)	32,737
Net cash from/(used in) operating activities	1,046,577	(1,018,663)

Note 32. Share-based payments

During the financial year, a number of unlisted options and performance rights were issued to Directors and Management of the consolidated entity.

The issue of the unlisted options and performance rights for the period are detailed as follows:

- + 375,000 unlisted share options issued with an exercise price of \$0.20, vesting date of 29 May 2022 expiry 29 May 2025.
- + 4,000,000 performance rights issued with nil exercise price for one fully paid ordinary share upon the achievement of certain non-market conditions.
- + 1,000,000 performance rights issued with nil exercise price for one fully paid ordinary share upon the achievement of both market and non-market conditions.

Set out below are summaries of options granted during the period:

Note 32. Share-based payments (continued)

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/10/2018	30/09/2023	\$0.10	7,000,000	-	-	-	7,000,000
30/05/2019	29/05/2024	\$0.20	4,150,000	-	-	(375,000)	3,775,000
29/05/2020	10/06/2025	\$0.20	-	375,000	-	-	375,000
			11,150,000	375,000	-	(375,000)	11,150,000
Weighted average exercise price	\$0.14	\$0.20	\$0.00	\$0.20	\$0.14		

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date	price	the year	Granted	Exercised	other	the year
01/10/2018	30/09/2023	\$0.10	-	7,000,000	-	-	7,000,000
30/05/2019	29/05/2024	\$0.20	-	4,150,000	-	-	4,150,000
			-	11,150,000	-	-	11,150,000
Weighted average exercise price	\$0.00	\$0.14	\$0.00	\$0.00	\$0.14		

The weighted average remaining contractual life of options outstanding at the end of the financial period was 3.52 years (2019: 4.50 years).

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

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/05/2019	29/05/2024	\$0.00	5,200,000	-	-	(1,000,000)	4,200,000
29/05/2020	10/06/2023	\$0.00	-	4,000,000	-	-	4,000,000
29/05/2020	10/06/2025	\$0.00	-	1,000,000	-	-	1,000,000
			5,200,000	5,000,000	-	(1,000,000)	9,200,000

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

The weighted average remaining contractual life of performance rights outstanding at the end of the financial period was 3.58 years (2019: 4.92 years).

Note 32. Share-based payments (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/05/2020	10/06/2025	\$0.18	\$0.20	71.08%	-	0.41%	\$0.095

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/05/2020	10/06/2023	\$0.18	\$0.00	71.08%	-	0.26%	\$0.180
29/05/2020	10/06/2025	\$0.18	\$0.00	71.08%	-	0.41%	\$0.136

Total expense recognised in the profit or loss for the year ended 30 June 2020 amounted to \$314,708 (2019: \$155,145).

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees, directors and other parties.

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

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

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

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

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

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

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

Note 33. Impact of COVID-19

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus disease 2019 (“COVID-19”) a pandemic. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact.

Notwithstanding the increasing and varied levels of Government lockdowns being implemented in Australia as well as the rest of the world, the consolidated entity is considered as an essential service and will continue to operate through these challenging periods. Both the Clinical Decision Software (CDS) and the SaaS audit and risk management software are primarily used by pathology laboratories and hospitals in the healthcare sector around the world.

PKS has high proportion of recurring revenue, predictable costs and therefore a strong view on trading and cashflow. As at 30 June 2020, the Group has a strong positive cash balance of \$4.2m and expect revenue to continue to grow in the coming financial years. In addition, the Group is working with its customers to develop CDS knowledge bases for COVID-19 and these knowledge bases may help the pathology laboratories provide more detailed and up to date information to the physicians requesting a COVID-19 test.

The COVID-19 situation is still evolving, and its full economic impact remains uncertain. At the date of issue of financial report, the Directors do not expect that COVID-19 will have a material, adverse impact on the Group’s ongoing business or the carrying value of its operational and intangible assets.

Note 34. Operating segments

Identification of reportable operating segments

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

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

In the previous financial year, management has determined that the consolidated entity has only one operating segment, being the CDS segment. No other separate operating segments with discrete financial information were identified.

Types of products and services

The principal products and services of each of these operating segments are as follows:

CDS Develop and provision of Clinical Decision Support software (“CDS”) to pathology and hospitals

Pavilion Develop and provision of audit and risk management software primarily for hospitals and governing health bodies

Intersegment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset annually and is based on an external party at arm’s length pricing. All such transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

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

Operating segment information

Note 34. Operating segments (continued)

	CDS	Pavilion	Corporate	Intersegment/ elimination	Total
Consolidated - 2020	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	3,798,104	326,620	-	-	4,124,724
Other revenue	58,550	88,754	131	-	147,435
Total revenue	3,856,654	415,374	131	-	4,272,159
EBITDA					
Depreciation and amortisation	(499,204)	(9,866)	-	-	(509,070)
Interest revenue	766	-	131	-	897
Finance costs	(5,746)	-	-	-	(5,746)
Profit/(loss) before income tax expense	600,729	72,230	(341,867)	-	331,092
Income tax benefit					51,810
Profit after income tax expense					382,902
Assets					
Segment assets	8,280,639	1,705,558	29,000,468	(29,803,180)	9,183,485
Unallocated assets:					
Intangible assets					22,050,123
Income tax refundable					100,000
Deferred tax asset					887,881
Total assets					32,221,489
Liabilities					
Segment liabilities	4,838,172	3,136,134	168,042	(5,339,235)	2,803,113
Unallocated liabilities:					
Provision for income tax					11,220
Deferred tax liability					191,853
Total liabilities					3,006,186

Details of revenue by channels and by geographical areas are disclosed in note 4.

Accounting policy for operating segments

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

Note 35. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Profit/(loss) after income tax attributable to the owners of PKS Holdings Limited	382,902	(932,360)
	Cents	Cents
Basic earnings per share	0.30	(5.05)
Diluted earnings per share	0.26	(5.05)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	125,597,687	18,459,036
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	20,350,000	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	145,947,687	18,459,036

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Directors' Declaration

In the directors' opinion:

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

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

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

On behalf of the directors



Michael Hill

Chairman

28 August 2020

Independent auditor's report

to the members of PKS Holdings Limited



Independent Auditor's Report to the Members of PKS Holdings Limited

Opinion

We have audited the financial report of PKS Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 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 the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report (continued)

to the members of PKS Holdings Limited



Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of Intangible Assets (Note 11)</p> <p>At 30 June 2020, the Group held \$22.05 million in intangible assets with indefinite useful life (goodwill) that was monitored at an operating segment level. In accordance with the requirements of Australian Accounting Standards, the Group tests intangible assets with indefinite useful life for impairment at least annually using a discounted cashflow model to determine value in use.</p> <p>The impairment assessment of intangibles incorporates judgements and estimates relating to discount rates, forecast revenue, and terminal value growth rate. As such, this is a key audit matter.</p> <p>Note 11 to the financial report provides disclosure on the Group's impairment test and highlights the impact of reasonably possible changes to key assumptions.</p>	<p>Our audit procedures to assess the impairment of goodwill included:</p> <ul style="list-style-type: none"> • Obtaining goodwill impairment assessment prepared by management; • Checking the integrity of discounted cashflow models; • Evaluating the assumptions, including discount rate used, and methodologies used by management; • Performing sensitivity analysis in respect of the key assumptions which would be required for the intangible assets to be impaired; • Evaluating the adequacy of disclosures made in the financial report – in particular those that have the most significant effect on the determination of the recoverable amount of the goodwill.
<p>Capitalisation of software development costs (Note 10)</p> <p>At 30 June 2020, the Group has capitalised development costs of \$1.65 million. These costs are amortised over a period of 5-10 years depending on the management's assessment of the period over which expected future benefits from the development will be derived.</p> <p>Capitalised development costs are material to the Group and given the subjectivity and judgement applied in the assessment of whether costs meet the development phase criteria prescribed in AASB 138 and in determining the useful life of the development which forms the amortisation period, this was considered to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of policies and controls around capitalisation of software development costs; • Ensuring that the capitalisation policy is in line with the requirement of Australian Accounting Standards; • Substantiating the cost capitalised during the year; • Reviewing the Directors' assessment of the useful life of capitalised costs; • Recalculating the amortisation expense of the capitalised development costs and comparing against the actual charge; • Assessing the adequacy of related disclosures made in the financial report.
<p>Finalisation of purchase price allocation for DPP Holdings Ltd (Note 28)</p> <p>On 31 May 2019, PKS Holdings Limited (formerly known as Qpro Holdings Limited) acquired 100% of the ordinary shares of DPP Holdings Limited for the total consideration transferred of \$15.5 million. DPP Holdings Limited owns 100% of the issued capital of Pacific Knowledge Systems Pty Ltd.</p> <p>The purchase price accounting for the acquisition was finalised during the current financial year. This resulted in an overall decrease in the value of goodwill and deferred tax asset by \$776k and \$752k respectively and an increase in value of software by \$900k.</p> <p>This acquisition is significant to the Group and given the judgements involved in the finalisation of the purchase price accounting exercise, this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Reviewing the external valuation report for the acquired software and assess its reasonableness; • Ensuring appropriate general journals have been posted to reallocate purchase price between software and goodwill; • Assessing the competence, capability and objectivity of the external valuation expert engaged by the Group; • Liaising with our tax specialist to assess the reasonableness of Tax Allocable Cost Amount applied; • Reviewing Directors' assessment of the useful life of the software; • Reviewing Group's disclosures with reference to the requirements of Australian Accounting Standards.

Independent auditor's report (continued)

to the members of PKS Holdings Limited



Key Audit Matter	How our audit addressed the key audit matter
<p>Refer to note 28 of the financial report for all relevant disclosures in relation to the acquisition.</p>	
<p>Acquisition of Pavillion Health Australia Pty Ltd (Note 28)</p>	
<p>Following the acquisition of Pavillion Health Australia Pty Limited on 31 May 2020 the directors were required to calculate the carrying value of goodwill by reference to the valuation of identifiable tangible and intangible assets acquired.</p> <p>Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as software. This assessment has been made on a provisional basis as noted in the financial statements. As at date of the financial report, due to proximity of acquisition date to year end reporting date, the fair value of the software in the acquiree is not finalised and thus the value of goodwill is provisional and expected to change materially on finalisation of fair value of the software.</p> <p>This acquisition is material to the Group and given the judgements involved in the purchase accounting exercise, this was considered to be a key audit matter.</p>	<p>Our audit procedures to assess the allocation of the acquisition price and acquisition accounting included:</p> <ul style="list-style-type: none"> Obtaining management's calculations in relation to the acquisition accounting for the acquisition of Pavillion Health Australia Pty Ltd and ensure that the principles of business combinations are applied correctly and are in accordance with the requirements of AASB 3 Business Combinations, which included: <ul style="list-style-type: none"> Reading Share Sale Agreement to understand the key terms and conditions; Reviewing the fair value of the consideration paid; reviewing management's provisional assessment of the identified assets and liabilities (including separately identifiable intangible assets) acquired including the fair value attributable to these assets and liabilities; reviewing the provisional calculation of goodwill on acquisition; Assessing if any indicators for impairment of provisional goodwill exists; Ensuring disclosures in the financial statements is in line with the requirements of Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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.

Independent auditor's report (continued)

to the members of PKS Holdings Limited



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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report (continued)

to the members of PKS Holdings Limited



REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2020.

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

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
28 August 2020

A handwritten signature in blue ink that reads 'S P James'.

S P James
Director

Shareholder information

30 June 2020

The shareholder information set out below was applicable as at 21 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	16	-
1,001 to 5,000	217	-
5,001 to 10,000	223	-
10,001 to 100,000	707	3
100,001 and over	210	15
	1,373	18
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
Celerity Investments Pty Limited	9,455,127	5.07
Paul Richard O'Connor	9,330,331	5.01
Paul Richard O'Connor	9,330,330	5.01
Freestate Holdings Pty Ltd	8,948,312	4.80
Freestate Holdings Pty Ltd	8,948,312	4.80
National Nominees Limited	7,235,000	3.88
Mirrabooka Investments Limited	7,216,100	3.87
Bombora Investment Management Pty Ltd	5,600,000	3.00
Sandhurst Trustees Ltd	4,805,140	2.58
Castlereagh Equity Pty Ltd	3,900,000	2.09
Mohamed Hassan Khadra	3,456,275	1.85
Ozren Tomic	3,273,150	1.76
Stephen John Menzies	2,763,941	1.48
Mr Christopher Bell	2,499,000	1.34
Shorebrook Pty Ltd	2,201,903	1.18
David Bambach	2,073,545	1.11
Jamplat Pty Ltd	1,800,000	0.97
Michael B Pollitt	1,789,774	0.96
Michael B Pollitt	1,789,773	0.96
Mary Ethna Black	1,728,144	0.93
	98,144,157	52.65

Shareholder information (continued)

30 June 2020

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	20,350,000	18

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Celerity Investments Pty Limited	9,455,127	5.07
Paul Richard O'Connor	9,330,331	5.01
Paul Richard O'Connor	9,330,330	5.01

Voting rights

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

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate directory

30 June 2020

Directors	Michael Hill Ronald Van der Pluijm Andrew Gray Paul Williams Brad Lancken (appointed 18 October 2019) Stephen Borness (appointed 10 June 2020) Neil Broekhuizen (resigned 31 May 2020)
Company secretary Notice of annual general meeting	Maggie Niewidok The details of the annual general meeting of PKS Holdings Limited are: Level 5 126 Phillip Street Sydney, NSW 2000 26 October 2020
Registered office	Level 5 126 Phillip Street Sydney, NSW 2000
Principal place of business	Suite 310, 3rd floor 50 Holt St, Surry Hills NSW 2010
Share register	Automic Pty Ltd Level 5 126 Phillip Street Sydney, NSW 2000
Auditor	HLB Mann Judd Assurance (NSW) Pty Ltd
Solicitors	Automic Pty Ltd
Bankers	Commonwealth Bank of Australia
Stock exchange listing	PKS Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: PKS)
Website	www.pks.com.au
Corporate Governance Statement	www.pks.com.au/corporate-governance



