HSC
TECHNOLOGY GROUP

Appendix 4E and Preliminary Final Report
31 DECEMBER 2020

The information contained in this document should be read in conjunction with HSC Technology Group Ltd's (formerly HomeStay Care Ltd) public announcements made in accordance with the continuous disclosure obligations arising from the Corporations Act 2001 and the ASX Listing rules.

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HSC TECHNOLOGY GROUP

HSC Technology Group Ltd ABN 62 111 823 762
ASX preliminary final report for the year ended 31 December 2020
Lodged with the ASX under listing rule 4.3A

Results for announcement to the market
31 December 2020
HSC Technology Group Ltd

APPENDIX 4E

Reference		31 December 2020	31 December 2019	Variance	Variance %
2.1	Revenue from ordinary activities	3,107,445	588,453	2,518,992	428%
2.2	Loss from ordinary activities after tax attributable to members	(2,366,476)	(4,412,504)	2,046,028	46%
2.3	Net loss for the period attributable to members	(2,366,476)	(4,412,504)	2,046,028	46%
2.4	Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to the attached financial statements			
3	Statement of Profit or Loss and Other Comprehensive Income	Refer to the attached financial statements			
4	Statement of Financial Position	Refer to the attached financial statements			
5	Statement of Cash Flows	Refer to the attached financial statements			
6	Statement in Changes in Equity	Refer to the attached financial statements			
7	Details of Individual and total Dividends	Not applicable			
8	Details of dividend reinvestment plans in operation	Not applicable			
9	Net tangible assets per share (cents)*	0.28	0.12	0.16	133%
10	Details of entities over which control has been gained or lost	The 100% owned dormant subsidiary, AEPI Midstream Inc was deregistered on 1 May 2020. The 100% owned subsidiary, HomeStay Care (Singapore) Pte Ltd was deregistered on 21 September 2020. The 100% owned subsidiary, HomeStay Care Solutions Pte Ltd applied for deregistration on 3 November 2020, however this was still in process as at 31 December 2020.			

11	Details of associates or joint venture entities	Not applicable
12	Any other significant information	Refer to the attached financial statements
13	Accounting standards used in compiling report for foreign entities	The Financial Statements are prepared in accordance with Australian Accounting Standards.
14	Commentary on the results for the period	Refer to the attached financial statements
15	Status of audit	The 31 December 2020 financial report and accompanying notes for the Group are in the process of being audited.
16	If accounts not yet audited, audit report likely to contain modified opinion, emphasis of matter or other matter paragraph	None expected.
17	If accounts have been audited, audit report contains modified opinion, emphasis of matter or other matter paragraph	Not applicable

Graham Russell
Managing Director

FINANCIAL AND OPERATIONAL REVIEW

Company Overview

HSC Technology Group Ltd ("HSC" or "Company") is a publicly listed company that provides a suite of technology enabled care solutions to the aged and disability sectors, across multiple verticals including retirement living, residential aged care, home and community settings. Through its IoT platform, Talius, HSC helps our elderly and those with a disability to live independently for longer whilst keeping them connected to family, friends and carers.

We partner with Aged Care service providers to deliver these solutions as it provides differentiation in the market, improves operational efficiencies, provides objective data metrics, creates financial recurring revenue opportunities but most importantly enables independence, autonomy and safety for their clients.

HSC's solutions have a wide range of applications across a number of industry sectors including health, security and home automation, as well as being the exclusive distributor in the Asia Pacific region for the Essence Group, Cardiac Sense, uVue and many more.

Our IoT Partners select HSC because of its proprietary data-driven platform that can aggregate insights from thousands of data points for improved care, lower operating costs and enable simple, low-cost deployments.

Financial Results

The 2020 financial year for HSC was a successful year in terms of financial results. All key metrics are trending in a positive direction, with revenues up substantially, the prior years' losses were also mitigated, and cashflow is improving relative to historical trends.

HSC's revenue for the year ended 31 December 2020 was $3,107,445 which is an increase of $2,518,992 compared to $588,453 in the prior year. The 428% growth in revenue during 2020 has been significant, as HSC essentially commenced with a refreshed team and new set of solutions at the start of this year.

The total loss of the HSC Group for the year ended 31 December 2020 was $2,366,476 which is a decrease of $2,046,028 compared to the loss of $4,412,504 in the prior year. Of significance is that during the year HSC wrote down a prior investment in platform development, which resulted in a write-off expense of $814,420 being incurred in the Consolidated Statement of Profit or Loss. It should be noted that this write-off of an intangible asset is both non-cash in nature and also non-recurring.

While the Company did experience a net loss for the year, cashflow management is improving. This is reflected in the fact that HSC was cashflow positive at an operating level in the 4th quarter of 2020.

During 2020, HSC conducted a number of balance sheet initiatives. In addition to the write-off of intangible assets explained above, HSC has also commenced the shutdown of overseas subsidiaries across Singapore and the USA. In addition to three subsidiaries that were deregistered in 2019, the shutdown of another three subsidiaries was initiated during 2020:

- Application for the deregistration of HomeStay Care Solutions Pte Ltd was submitted on 3 November 2020. HomeStay Care Solutions Pte Ltd was deregistered on 8 February 2021.
- HomeStay Care (Singapore) Pte Ltd was deregistered on 21 September 2020.
- AEPI Midstream Inc was deregistered on 1 May 2020.

The net asset position of the Company as at 31 December 2020 was $5,350,635 which is an increase of $1,880,610 compared to $3,470,025 as at 31 December 2019. There was a net increase in assets of $1.0 million, of which the largest items were a rise in inventory and a fall in the value of intangible assets. There was a net decrease in liabilities of $0.9 million, of which the largest items were a reduction in borrowings and a fall in trade payables. HSC has elected to invest in its inventory levels to support existing projects and future opportunities.

In December 2020, the Company raised $3.0 million via a share placement. The proceeds of the placement, along with existing cash holdings, will be used to bolster working capital for an increased sales pipeline, strengthen the balance sheet, and position HSC for future growth opportunities. Cash and cash equivalents as at 31 December 2020 was $4.46 million.

Operational Review

During the financial period, the Company continued to progress key components of its corporate strategy, inclusive of the following:

- **Increasing sales**: There has been a 428% increase in sales relative to the corresponding period in 2019. This reflects the investment in the team and technologies which underpin the HSC go-to-market approach. Three additional business development managers have been appointed, and we have a number of major projects underway, and each win further validates our go-to-market approach. HSC has demonstrated success in selling into key market segments, including:
  - Community Housing – Bolton Clarke
  - Residential Aged Care – Aged Care and Housing (ACH) Group
  - Disability Housing – Odyssey Lifestyle Care Communities
  - International – St John's Home for Elderly Persons in Singapore

- **Focus on SaaS revenue:** Each hardware sale delivers incremental recurring SaaS revenue for HSC. This SaaS revenue stream is rapidly increasing, and we expect SaaS recurring revenue to ultimately be the key revenue stream for the business.

- **Successful delivery of strategic projects**: Significant facility contracts have been signed with key customers such as ACH, Odyssey, and St John's Home for Elderly Persons in Singapore. Each of these projects is further validating the market's understanding of HSC's strategic direction.

- **Investment in its Talius IOT Platform**: A key differentiator for the Company is its IOT platform, Talius, which integrates with best-of-breed telehealth solutions to deliver an optimised customer experience. We are continuing to invest and develop Talius, our proprietary AI data analytics platform. In consultation with our customers we are expanding the functionality and visibility with enterprise dashboards and support modules.

- **Balance Sheet:** HSC made a number of decisions in order to clean up the Balance Sheet and position HSC for growth in 2021. HSC has elected to fully write off intangible assets relating to prior expenditure on software development, as the software is no longer part of the new management's strategy or focus. HSC has also initiated the shutdown of several overseas subsidiaries, across Singapore and the USA. The closure of these entities will simplify HSC's corporate structure and enable management to focus on the key growth businesses.

- **Investment in the distribution network**: HSC has extended its relationship with Bolton Clarke and signed up a number of new reseller agreements to extend our distributor network. Since 30 June 2020, we have also signed partner agreements with Harvey Norman Commercial Division NSW, as well as UBAC in Singapore, Harrison Technologies, and MEA Technologies.

- **Key partnerships**: We have signed strategic partnerships with key telehealth manufacturers G Medical Innovations, CardiacSense, CSIRO and Tochtech. These specialist sensors will deliver vital signs data to the Talius Ecosystem and these extra data sets will continue to deliver improved patient outcomes.

- **East Coast focus**: The Company's operations have team members nationally supporting our partners and distribution network, however our main operating hub is out of Queensland. We have continued focus on aligning the corporate activities and commercial operations by moving the registered address and principal place of business to Brisbane. We have also made changes to the teams providing Investor Relations, Public Relations, and Legal Counsel. The roles of Company Secretary and Chief Financial Officer have been in-sourced and also moved to the east coast. This will provide improved synergy and corporate governance.

- **Governance**: HSC has strengthened its approach to governance, through a change in Board membership and also the appointment of an Advisory Board.

In summary, the 2020 year has been very positive for HSC. Our new team has worked incredibly hard since joining in early December 2019 and we have achieved our objectives to turn around the past legacy issues of the Company.

HSC believes that there are a number of catalysts for change in the way aged care is delivered, and assistive technology will be at the forefront of these changes. Remote Patient Monitoring (RPM) provides access to key health data, which can be used to make better and more informed decisions on patient care. The Royal Commission into Aged Care has confirmed the need for innovative models of care, including the use of assistive technology. A number of existing healthcare solutions utilise the 3G mobile telephony network, which is due to shut down in 2024.

These catalysts validate the opportunity for HSC and its data-driven platform, which provides insights from thousands of data points for improved care, lower operating costs and low-cost deployments of assistive technology to deliver real and tangible benefits for care to vulnerable people.

Graham Russell
Managing Director

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $	2019 $
Revenue	3	3,107,445	588,453
Government grant	3	71,864	561,919
Cost of sales		(2,124,079)	(449,090)
Amortisation and depreciation expense		(597,073)	(650,284)
Consulting fees		(119,015)	(823,831)
Employee benefits expenses		(913,933)	(1,825,206)
Marketing expenses		(101,893)	(316,337)
Rental expenses		(14,080)	(110,881)
Finance costs		(36,358)	(48,413)
Share based payments		(347,108)	(210,568)
Write-off of intangible asset		(814,420)	(33,509)
Other expenses		(477,826)	(1,094,757)
Loss before income tax		(2,366,476)	(4,412,504)
Income tax expense	4	-	-
Total loss for the year		(2,366,476)	(4,412,504)
Other comprehensive income			
Items that may be reclassified subsequently to operating result			
Exchange differences on translating foreign controlled entities		(18,232)	19,282
Other comprehensive income for the year		**(18,232)**	**19,282**
Total comprehensive loss for the year		**(2,384,708)**	**(4,393,222)**
Loss per share			
Basic and diluted loss (cents per share)		(0.14)	(0.54)

The accompanying notes form part of these financial statements.

HSC TECHNOLOGY GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	5	4,457,264	2,744,414
Other assets	7	864,285	421,380
Trade and other receivables	6	194,693	852,508
Financial assets		-	77,965
Inventory	8	1,148,638	161,259
Total current assets		6,664,880	4,257,526
Non-current assets			
Plant and equipment	9	26,810	33,805
Right-of-use assets	10	163,871	341,124
Intangible assets	11	146,500	1,385,489
Total non-current assets		337,181	1,760,418
Total assets		7,002,061	6,017,944
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,126,692	1,426,512
Contract liabilities	13	325,598	270,491
Lease liability	14	128,552	155,152
Borrowings	15	-	514,056
Provisions	16	34,872	1,085
Total current liabilities		1,615,714	2,367,296
Non-current liabilities			
Lease liability	14	35,712	180,623
Total non-current liabilities		35,712	180,623
Total liabilities		1,651,426	2,547,919
Net assets		5,350,635	3,470,025
EQUITY			
Issued capital	17	15,985,123	11,917,250
Reserves	18	1,109,323	930,110
Accumulated losses		(11,743,811)	(9,377,335)
Total equity		5,350,635	3,470,025

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Total $
Balance at 1 January 2019	8,295,993	(4,964,831)	741	849,519	4,181,422
Loss for the year	-	(4,412,504)	-	-	(4,412,504)
Other comprehensive (loss)	-	-	19,282	-	19,282
Total comprehensive (loss) for the year	-	(4,412,504)	19,282	-	(4,393,222)
Transactions with owners, directly in equity					
Issue of share capital	3,918,436	-	-	-	3,918,436
Capital raising costs	(297,179)	-	-	-	(297,179)
Issue of options	-	-	-	60,568	60,568
Balance at 31 December 2019	11,917,250	(9,377,335)	20,023	910,087	3,470,025
Balance at 1 January 2020	11,917,250	(9,377,335)	20,023	910,087	3,470,025
Loss for the year	-	(2,366,476)	-	-	(2,366,476)
Other comprehensive (loss)	-	-	(18,232)	-	(18,232)
Total comprehensive (loss) for the year	-	(2,366,476)	(18,232)	-	(2,384,708)
Transactions with owners, directly in equity					
Issue of share capital	4,161,500	-	-	(182,500)	3,979,500
Capital raising costs	(93,627)	-	-	-	(93,627)
Issue of options	-	-	-	379,945	379,945
Balance at 31 December 2020	15,985,123	(11,743,811)	1,791	1,107,532	5,350,635

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		4,119,733	84,929
R&D tax incentive receipts		71,864	561,919
Payments to suppliers and employees (excluding research and development expenditure)		(5,240,500)	(4,019,329)
Payments for research and development expenditure		(121,255)	-
Interest received		2,979	11,081
Interest paid		(39,492)	(34,357)
Net cash used in operating activities	22	(1,206,671)	(3,395,757)
Cash flows from investing activities			
Payments for platform development expenditure		-	(910,861)
Purchase of plant and equipment		-	(44,222)
Proceeds from sale of plant and equipment		-	3,535
Purchase of financial assets		-	(77,965)
Proceeds from disposal of financial assets		77,965	-
Net cash from / (used in) investing activities		77,965	(1,029,513)
Cash flows from financing activities			
Proceeds from issue of shares		2,998,000	3,518,436
Proceeds from issue of performance rights		5,600	-
Transaction costs relating to the issue of shares		(70,627)	(272,729)
Proceeds from borrowings		-	500,000
Repayment of lease liability		(91,417)	(6,149)
Net cash provided by financing activities		2,841,556	3,739,558
Net increase / (decrease) in cash held		1,712,850	(685,712)
Cash at the beginning of the financial year		2,744,414	3,430,126
Cash at the end of the financial year	5	4,457,264	2,744,414

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. Summary of significant accounting policies

Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by HSC Technology Group Ltd during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The Preliminary Financial Statements and notes of HSC Technology Group Ltd and its controlled entities, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

a) Comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as listed in Note 19 (collectively the "consolidated entity" or "Group"). Control is achieved where the Company is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns. All inter-company balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity.

c) New accounting standards and interpretations

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:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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1. **Summary of significant accounting policies (continued)**

d) **Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and are recognised for all taxable temporary differences:

- Except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future to the extent that it is probable that the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred and income taxes relating to items recognised directly in equity are recognised directly in equity.

e) **Foreign Currency Transactions and Balances**

Functional and Presentation Currency
The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined.

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1. **Summary of significant accounting policies (continued)**

e) Foreign Currency Transactions and Balances (continued)

Exchange differences arising on the translation of monetary items are recognised directly in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies
The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

f) Trade receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 120 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for expected credit losses is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue.

g) Inventories
Inventories are stated at the lower of cost and net realisable value on a moving average costs basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

h) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

1. **Summary of significant accounting policies (continued)**

h) Plant and equipment (continued)

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

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The expected useful lives are as follows:

- Office equipment 2 – 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

i) Intangible assets

Intangible assets acquired separately are initially recognised at cost. 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.

Research and development

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

The expected useful lives are as follows:

- Research and development 3 years
- Customer lists 2 years
- Licences 3 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

1. **Summary of significant accounting policies (continued)**

j) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A loss allowance for expected credit losses is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the consolidated entity during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with short periods to maturity and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

m) Revenue and Other Income

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on a fixed price.

1. Summary of significant accounting policies (continued)

m) Revenue and Other Income (continued)

Interest revenue
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

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

n) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

From time to time, the consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share-based payment transactions, whereby personnel render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

1. **Summary of significant accounting policies (continued)**

n) Employee benefits (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognised immediately unless the original vesting conditions are not market related and those conditions have not been met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

o) 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.

p) Lease liabilities

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

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

q) Borrowings

Borrowings are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liability to the amortised cost of a financial liability.

1. Summary of significant accounting policies (continued)

r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s) Issued capital

Ordinary shares are classified as equity.

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

t) Dividends

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

u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, 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 year.

(ii) 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.

v) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

1. **Summary of significant accounting policies (continued)**

w) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

x) 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.

y) Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Following is a summary of the key assumptions concerning the future and other key sources of judgement and estimation at reporting date that have not been disclosed elsewhere in these financial statements.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The 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.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model. Management are required to make judgements on the probabilities of milestones being achieved to calculate the value of the transactions.

2. Segment Information

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments. All revenues and costs are handled centrally and management reviews financial information on a consolidated basis. On this basis it is considered that there is only one operating segment, the details of which are disclosed within this financial report.

	Consolidated	
	2020	2019
	$	$
3. Revenue and other income		
Sale of goods and services	3,104,466	577,372
Interest revenue	2,979	11,081
	3,107,445	588,453
Other income		
Government grant	71,864	561,919
	71,864	561,919

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

	2020	2019
Geographical regions		
Australasia	3,104,466	577,372
	3,104,466	577,372
Timing of revenue recognition		
Goods and services transferred at a point in time	1,538,707	521,959
Goods and services transferred over time	1,565,759	55,413
	3,104,466	577,372

4. Income tax expense

	2020	2019
Loss before income tax expense	(2,366,476)	(4,412,504)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(650,781)	(1,213,439)
Tax effect amounts which are not deductible in calculating taxable income:		
Expenditure not allowable for tax purposes	412,454	319,553
Income not assessable for tax purposes	(54,272)	(154,528)
Deferred tax assets not brought to account	257,102	1,048,414
Income tax expense	-	-
Unused tax losses for which no deferred tax asset has been recognised	18,210,256	18,438,488

The deferred tax assets have not been brought to account, as the availability of future profits to recoup these losses is not considered probable at the date of this report, and they will only benefit the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company is able to meet the continuity of ownership and/or continuity of business tests.

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	Consolidated	
	2020	2019
	$	$

5. Cash and cash equivalents

A reconciliation between cash and cash equivalents as disclosed in the statement of financial position and cash as disclosed in the statement of cash flows is as follows:

	2020 $	2019 $
Cash at bank	4,457,264	2,744,414
	4,457,264	2,744,414

6. Trade and other receivables

	2020 $	2019 $
Trade receivables	171,111	310,791
Accrued income	-	511,157
Other receivables	23,582	30,560
	194,693	852,508

Allowance for expected credit losses
The consolidated entity did not recognise any losses (2019: Nil) in profit or loss in respect of the expected credit losses for the year ended 31 December 2020.

Past due but not impaired
Customers with balances past due but without allowance for expected credit losses:

	2020 $	2019 $
0 to 6 months overdue	152,037	310,791
6 to 12 months overdue	-	-
12 to 18 months overdue	-	-
	152,037	310,791

7. Other assets

	2020 $	2019 $
Prepayments	536,152	330,897
Security deposits	11,000	90,483
Other assets	317,133	-
	864,285	421,380

8. Inventory

	2020 $	2019 $
Inventory on hand	1,148,638	161,259
	1,148,638	161,259

9. Plant and equipment

	2020 $	2019 $
Office equipment	44,974	51,650
Less: accumulated depreciation	(18,164)	(17,845)
Total office equipment	26,810	33,805
Total plant and equipment	26,810	33,805

9. Plant and equipment (continued)

Reconciliations
Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below.

Consolidated	Office Equipment $	Total $
Carrying amount at 1 January 2019	32,010	32,010
Additions	45,803	45,803
Disposals	(25,317)	(25,317)
Depreciation expense	(18,835)	(18,835)
Foreign exchange movement	144	144
Carrying amount at 31 December 2019	33,805	33,805
Depreciation expense	(6,995)	(6,995)
Carrying amount at 31 December 2020	26,810	26,810

	Consolidated	
10. Right-of-use assets	2020 $	2019 $
Carrying amount at beginning of year	341,124	-
Additions	-	413,733
Depreciation	(177,253)	(72,609)
Carrying amount at end of year	163,871	341,124

The consolidated entity leases buildings for its offices, under agreements of between two to three years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

11. Intangible assets

Platform development expenditure		
At cost	-	1,936,309
Less: Accumulated amortisation	-	(793,436)
Net carrying amount	-	1,142,873
Licences		
At cost	250,000	250,000
Less: Accumulated amortisation	(103,500)	(7,384)
Net carrying amount	146,500	242,616
Other		
At cost	45,000	45,000
Less: Accumulated amortisation	(45,000)	(45,000)
Net carrying amount	-	-
Total intangible assets	146,500	1,385,489

11. Intangible assets (continued)

Reconciliations
Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current financial year are set out below.

Consolidated	Platform development expenditure $	Licences $	Other $	Total $
Carrying amount at 1 January 2019	840,447	-	5,097	845,544
Additions	827,759	250,000	37,672	1,115,431
Amortisation expense	(543,569)	(7,384)	(7,887)	(558,840)
Write off/impairment of asset	-	-	(34,882)	(34,882)
Foreign exchange movement	18,236	-	-	18,236
Carrying amount at 31 December 2019	1,142,873	242,616	-	1,385,489
Additions	-	-	-	-
Amortisation expense	(319,240)	(96,116)	-	(415,356)
Write off of asset	(814,420)	-	-	(814,420)
Foreign exchange movement	(9,213)	-	-	(9,213)
Carrying amount at 31 December 2020	-	146,500	-	146,500

	Consolidated 2020 $	Consolidated 2019 $
12. Trade and other payables		
Trade payables	906,310	453,004
Other payables	220,382	973,508
	1,126,692	1,426,512
13. Contract liabilities		
Contract liabilities	325,598	270,491
	325,598	270,491

Related to income received in advance with performance obligations that are unsatisfied at the end of the reporting period. The amount is expected to be recognised as revenue within the next 12 months.

14. Lease liabilities	2020 $	2019 $
Carrying amount at beginning of year	335,775	-
Lease liabilities recognised upon entering lease agreement	-	413,733
Repayments of lease liabilities	(171,511)	(77,958)
Carrying amount at end of year	164,264	335,775
Breakdown of current and non-current		
Current	128,552	155,152
Non-current	35,712	180,623
Total	164,264	335,775

	Consolidated	
	2020	2019
	$	$

15. Borrowings

Borrowings	- [2]	514,056 [1]
	-	514,056

[1] In October 2019, the consolidated entity entered into Converting Loan Agreements with various parties to obtain $500,000 cash. Interest was payable at a rate of 12% pa. The loans were to be converted to shares at a share price of $0.005 (subject to receiving shareholder approval).

[2] On 14 January 2020, the Company held a General Meeting of Shareholders and received approval for the conversion of the $500,000 to shares. On 28 January 2020, 100,000,000 shares in the Company were issued to settle the $500,000. The interest payable was settled in cash in February 2020.

16. Provisions

Employee entitlements	34,872	1,085
	34,872	1,085

Amounts not expected to be settled within the next 12 months.
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The consolidated entity expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

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	Consolidated	
	2020	2019
	$	$
17. Issued Capital		
1,886,739,337 (2019: 1,478,686,397) Ordinary shares – Fully paid ('FPO')	17,397,436	13,235,936
Capital raising costs	(1,412,313)	(1,318,686)
	15,985,123	11,917,250

a) Movements in ordinary shares on issue	Number	$
At 1 January 2019	694,999,296	8,295,993
Shares issued during the 2019 year		
– 9 October 2019 – Placement at $0.005	104,249,894	521,249
– 5 November 2019 – Rights issue at $0.005	93,336,933	466,685
– 8 November 2019 – Rights issue shortfall at $0.005	506,100,274	2,530,501
– 3 December 2019 – shares issued under amended Heads of Agreement at $0.005	50,000,000	250,000
– 3 December 2019 – share issued under employment contract at $0.005	30,000,000	150,000
Less capital raising costs	-	(297,178)
At 31 December 2019	1,478,686,397	11,917,250
Shares issued during the 2020 year		
– 28 January 2020 – FPO shares (1)	176,700,000	897,500
– 29 January 2020 – FPO shares (2)	20,000,000	100,000
– 3 November 2020 – Conversion of 25 million Performance Rights at $0.005	25,000,000	125,000
– 3 November 2020 – Conversion of 10 million Performance Rights at $0.0041	10,000,000	41,000
– 24 December 2020 – Placement of 176,352,940 shares at $0.017	176,352,940	2,998,000
Less capital raising costs	-	(93,627)
At 31 December 2020	1,886,739,337	15,985,123

(1) Included 500,000 shares issued on conversion of performance rights at fair value of $0.033 per share, 100,000,000 shares issued on conversion of convertible notes at fair value of $0.005 per share, and 76,200,000 shares issued to various suppliers in lieu of cash payment for services received at fair value of $0.005 per share.

(2) Shares issued to an employee pursuant to employment agreement at fair value of $0.005 per share.

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

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

17. Issued Capital (continued)

b) Options

For details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 18(a) Share-based payments.

c) Capital Management

The objectives of management when managing capital is to safeguard the Group's ability to continue as a going concern, so that the Group may continue to provide returns for shareholders and benefits for other stakeholders.

The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 31 December 2020 and 2019 is as follows:

	Consolidated	
	2020	2019
	$	$
Cash and cash equivalents	4,457,264	2,744,414
Other assets	864,285	421,380
Trade and other receivables	194,693	852,508
Financial assets	-	77,965
Inventory	1,148,638	161,259
Trade and other payables	(1,126,692)	(1,426,512)
Contract liabilities	(325,598)	(270,491)
Lease liabilities	(128,552)	(155,152)
Borrowings	-	(514,056)
Provisions	(34,872)	(1,085)
Working capital position	5,049,166	1,890,230

18. Reserves

Foreign currency translation	1,791	20,023
Share based payments	1,107,532	910,087
	1,109,323	930,110
Movements in reserves		
Share based payments		
Balance at the beginning of the year	910,087	849,519
Options issued during the year	27,237	60,568
Options vested during the year	2,500	-
Options lapsed during the year	(7,205)	-
Performance rights issued during the year	357,413	-
Performance rights converted to shares during the year	(182,500)	-
Balance at the end of the year	1,107,532	910,087
Foreign currency translation		
Balance at the beginning of the year	20,023	741
Exchange differences on translating foreign controlled entities	(18,232)	19,282
Balance at the end of the year	1,791	20,023

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18. Reserves (continued)

(a) Share-based payments – options

A summary of the movements of all options issued is as follows:

	Number	Weighted average exercise price
Options outstanding as at 31 December 2018	82,486,188	$0.037
Granted on 28 May 2019 (1, 2)	12,000,000	$0.068
Options outstanding as at 31 December 2019	94,486,188	$0.041
Granted on 14 January 2020 (3)	12,000,000	$0.021
Lapsed on 16 June 2020 (4)	(4,000,000)	$0.090
Expired on 23 June 2020	(2,486,188)	$0.246
Options outstanding as at 31 December 2020	100,000,000	$0.031

The weighted average remaining contractual life of options outstanding at year end was 2.6 years. The weighted average exercise price of outstanding options at the end of the reporting period was $0.031.

Year ended 31 December 2019

(1) During the year the Company issued 12,000,000 options to the Chairman, Wayne Cahill as per his employment contract. The total value of the options issued was $59,783. The total amount recognised as share-based payments expense in the profit or loss for the year ended 31 December 2019 in relation to the options was $44,068.

Year ended 31 December 2020

(2) 12,000,000 options issued in 2019 vested on 1 February 2020 upon satisfaction of vesting conditions (continued service). Fair value of $2,500 is recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020.

(3) On 14 January 2020, the Company granted 12,000,000 options to various consultants, for nil cash consideration per their engagement agreements for services received in the year ended 31 December 2019. The options were issued on 3 February 2020. Fair value of $2,787 was recognised as marketing expenses in the profit or loss for the year ended 31 December 2019, and $24,450 was recognised as capital raising expenses in the statement of financial position at 31 December 2019. Total fair value of $27,237 is recognised in the share-based payments reserve for the year ended 31 December 2020.

(4) 4,000,000 options lapsed due to vesting conditions not being met (employment ceased before 1 February 2021). This resulted in a reversal of $7,205 recognised against the share-based payments expense in the profit or loss for the year ended 31 December 2020.

The total amount recognised as share based payment expense in relation to the issue of options during the year is ($4,705).

Under AASB 2 Share-based Payment, the expense is recognised over the vesting period. The fair value inputs included in the option valuations using a Black Scholes model were as follows:

Exercise Price	No. of options	Grant Date	Vesting Date	Expiry Date	Fair Value at Grant Date	Risk-free rate	Volatility rate
$0.015	10,000,000	14 Jan 2020	3 Feb 2020	3 Feb 2022	$0.00244	0.81%	137%
$0.05	2,000,000	14 Jan 2020	3 Feb 2020	3 Feb 2022	$0.00139	0.82%	137%

18. Reserves (continued)

(b) Share-based payments – performance rights

A summary of the movements of all performance rights issued is as follows:

	Number
Performance rights outstanding as at 31 December 2018	-
Granted on 2 February 2019 (1)	2,500,000
Granted on 4 April 2019 (1)	1,500,000
Lapsed during the year (1)	(3,500,000)
Performance rights outstanding as at 31 December 2019	500,000
Converted to shares on 28 January 2020 (2)	(500,000)
Granted on 14 January 2020 (3)	50,000,000
Granted on 8 June 2020 (4)	10,000,000
Granted on 15 June 2020 (5)	46,000,000
Lapsed on 1 September 2020 (6)	(6,000,000)
Converted to shares on 2 November 2020 (7)	(35,000,000)
Granted on 2 November 2020 (8)	10,000,000
Performance rights outstanding as at 31 December 2020	75,000,000

Year ended 31 December 2019

(1) During the year ended 31 December 2019, the Company issued 4,000,000 performance rights to employees under the Incentive Performance Rights Plans. The total value of the performance rights issued was $115,500. During the year ended 31 December 2019, 3,500,000 performance rights were cancelled due to vesting conditions not being met. The total amount expensed during the year ended 31 December 2019 in relation to the performance rights was $16,500.

Year ended 31 December 2020

(2) On 28 January 2020, 500,000 performance rights were converted to shares by an employee upon satisfaction of vesting conditions (continued service).

(3) On 14 January 2020, the Company granted 50,000,000 performance rights to a Director, for nil cash consideration. Performance rights will vest subject to attainment of certain revenue values, together with employment continuity. Total fair value of $250,000 is recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020.

(4) On 8 June 2020, the Company granted 10,000,000 performance rights to a Director, for cash consideration of $1,000. Performance rights will vest subject to the attainment of certain share price values, together with employment continuity. Total fair value of $24,139 is recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020.

(5) On 15 June 2020, the Company granted 46,000,000 performance rights to Directors, for cash consideration of $4,600. Performance rights will vest subject to the attainment of certain share price values, together with employment continuity. Total fair value of $57,495 is recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020.

18. Reserves (continued)

[6] 6,000,000 performance rights lapsed due to vesting conditions not being met (employment ceased before 15 June 2022). This resulted in a reversal of $240 recognised against the share-based payments expense in the profit or loss for the year ended 31 December 2020.

[7] On 3 November 2020, 35,000,000 performance rights were converted to shares by a Director upon satisfaction of vesting conditions. 25,000,000 performance rights were linked to a vesting condition of $2,000,000 of revenue being received by the Company during the vesting period. The remaining 10,000,000 performance rights were linked to a vesting condition of the Company's shares remaining at least $0.01 calculated upon the 20-day volume weighted average price, as well as continued service by the Director.

[8] On 2 November 2020, the Company granted 10,000,000 performance rights to employees, for nil cash consideration. Performance rights will vest subject to employment continuity. Total fair value of $20,419 is recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020.

The total amount recognised in the share-based payments reserve in relation to the issue of performance rights during the period is $357,413, being share based payment expense of $351,813, and cash consideration of $5,600.

Under AASB 2 Share-based Payment, the expense is recognised over the vesting period. The performance rights have been valued at the share price of the Company on grant date. The fair value inputs included in the performance right valuations were as follows:

No. of performance rights	Grant date	Vesting date	Expiry date	Fair value at grant date	Share price	Probability
50,000,000	14 Jan 2020	31 Dec 2020	14 Jan 2025	$0.005	$0.005	100%
2,000,000	8 Jun 2020	16 Oct 2020	15 Dec 2021	$0.005	$0.005	100%
2,000,000	8 Jun 2020	16 Feb 2021	15 Dec 2021	$0.005	$0.005	100%
2,000,000	8 Jun 2020	16 Jun 2021	15 Dec 2021	$0.005	$0.005	100%
2,000,000	8 Jun 2020	15 Jul 2021	15 Dec 2021	$0.001	$0.005	100%
2,000,000	8 Jun 2020	15 Jul 2021	15 Dec 2021	$0.0006	$0.005	100%
10,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	$0.0041	$0.005	100%
15,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	$0.0029	$0.005	100%
15,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	$0.0022	$0.005	100%
3,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	$0.0022	$0.005	100%
3,000,000	15 Jun 2020	15 Jun 2022	15 Jun 2025	$0.0017	$0.005	100%
5,000,000	2 Nov 2020	3 Aug 2021	3 Aug 2021	$0.013	$0.013	100%
5,000,000	2 Nov 2020	3 May 2022	3 May 2022	$0.013	$0.013	100%

The total amount recognised as share-based payments expense in the profit or loss for the year ended 31 December 2020 is $347,108, being share based payment expense of ($4,705) from options and $351,813 from performance rights.

19. Controlled entities

Name	Country of Incorporation	Percentage Owned 2020	2019
Parent entity			
HSC Technology Group Ltd	Australia		
Name of controlled entity			
HomeStay Care International Pty Ltd	Australia	100%	100%
Home Service Solutions Pty Ltd	Australia	100%	100%
HomeStay Care Solutions Pte Ltd (1)	Singapore	100%	100%
HomeStay Care (Singapore) Pte Ltd (2)	Singapore	-	100%
Advance Exploration and Production Inc	Texas USA	100%	100%
AEPI Midstream Inc (3)	Texas USA	-	100%
Advance Wolfberry Inc	Texas USA	100%	100%

(1) An application for the deregistration of HomeStay Care Solutions Pte Ltd was submitted on 3 November 2020, however this was still in process as at 31 December 2020. HomeStay Care Solutions Pte Ltd was deregistered on 8 February 2021.
(2) HomeStay Care (Singapore) Pte Ltd was deregistered on 21 September 2020.
(3) AEPI Midstream Inc was deregistered on 1 May 2020.

20. Events after the reporting period

In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of COVID-19 on its revenue channels and adverse impact on the Company. If any of these impacts appear material, the Company will notify investors through appropriate market updates.

The directors are not aware of any other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

21. Contingent Liabilities

As consideration for the issued capital of HomeStay Care International Pty Ltd, HSC Technology Group Ltd will be required to issue up to 200,000,000 deferred shares to the shareholders of HomeStay Care International Pty Ltd as contingent consideration, with 50,000,000 ordinary shares to be issued upon each of the following milestones being met:

- The Group generating cumulative revenue of $3,000,000 within 36 months of the date that HSC is re-admitted to the ASX List;
- The Group generating cumulative revenue of $6,000,000 within 48 months of the date that HSC is re-admitted to the ASX List;
- The Group generating cumulative revenue of $9,000,000 within 54 months of the date that HSC is re-admitted to the ASX List;'
- The Group generating cumulative revenue of $12,000,000 within 60 months of the date that HSC is re-admitted to the ASX List.

The Company has been granted a waiver of ASX Listing Rule 7.3.2 to permit it to issue Deferred Consideration Shares to the Vendors upon satisfaction of the milestones set out above, which will be outside of three months from the date of the General Meeting. As at the date of this report none of the milestones shares has been achieved, and 200,000,000 shares remain to be issued as noted above.

22. Cash flow information

	Consolidated	
a) Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities	**2020** **$**	**2019** **$**
Loss from ordinary activities after income tax	(2,366,476)	(4,412,504)
Non-cash flow in loss from continuing operations:		
Depreciation	181,717	91,444
Amortisation expense	415,356	558,840
Share based payments	347,108	210,568
Impairment	814,420	34,882
Loss on disposal of assets	1,859	21,782
Interest on borrowings	(3,134)	14,056
Change in operating assets and liabilities:		
Trade and other receivables	657,815	(712,596)
Other assets	(442,905)	(180,994)
Inventory	(987,379)	(39,870)
Trade and other payables	86,054	802,924
Contract liabilities	55,107	270,491
Provisions	33,787	(54,780)
Net cash outflow from operating activities	(1,206,671)	(3,395,757)

23. **Loss per share**

	Consolidated	
	2020	**2019**
	$	**$**
a) Reconciliation of loss to profit or loss:		
Net (loss) from operations attributable to ordinary shareholders for basic and diluted earnings per share	(2,366,476)	(4,412,504)
	Number	**Number**
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,670,317,882	814,798,230