Collaborate

CORPORATION LIMITED

ACN 066 153 982

# 2020 ANNUAL REPORT

drivemycar

Carly.co

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Collaborate
CORPORATION LIMITED

# CORPORATE DIRECTORY

**Directors**

Mr Adrian Bunter - Non-Executive Chairman
Mr Chris Noone - Chief Executive Officer and Executive Director
Mr Stephen Abolakian - Non-Executive Director
Mr Robert (Robbie) Blau - Non-Executive Director
Mr Todd Hunter - Non-Executive Director
Ms Michelle Vanzella - Non-Executive Director
Mr Kevin Wundram - Alternate Director for Mr Blau

**Company Secretary**

Ms Karen Logan

**Registered Office and Principal Place of Business**

Suite 3, Level 7
189 Kent Street
Sydney NSW 2000
Telephone: +61 2 8889 3641
Email: shareholder@collaboratecorp.com
Website: www.collaboratecorp.com

**Share Registry**

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Telephone: 1300 288 664 / +61 2 9698 5414
Email: hello@automic.com.au
Website: www.automic.com.au

**Stock Exchange**

Collaborate Corporation Limited is listed on the Australian Securities Exchange.
ASX Code: CL8

**Auditor**

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

**Bankers**

National Australia Bank
Level 14, 100 St George's Terrace
Perth WA 6000

The Directors present their report together with the financial report of Collaborate Corporation Limited (the **Company** or **Parent Entity**) and its controlled entities (the **Group**), for the year ended 30 June 2020 and the auditor's report thereon.

**DIRECTORS**

The Directors at any time during or since the end of the financial year are:

**Mr Adrian Bunter**

*Non-Executive Chairman - appointed 19 February 2014*

Adrian has over 25 years' experience in accounting, finance and a broad range of corporate advisory roles ranging from mergers and acquisitions, divestments of businesses, debt/equity raisings and strategy development and execution. Adrian is an executive director of Venture Advisory, a specialist telecommunications, media and technology financial advisory firm operating out of Australia and AsiaPac. Adrian is a Chartered Accountant, a Senior Associate of Finsia and has completed a Bachelor of Business and a Graduate Diploma in Applied Finance. Adrian is a member of the Executive Committee of Australia's leading angel investing group, Sydney Angels.

In the 3 years immediately before the end of the financial year, Adrian also served and continues to serve as a Non-Executive Director of 8common Limited since 6 June 2014.

Adrian was appointed Non-Executive Chairman of the Board effective from 29 August 2019.

**Mr Chris Noone**

*Chief Executive Officer and Executive Director - appointed 7 August 2014*

Chris has led the development, launch and growth of many innovative companies that have helped define today's digital market in Europe, Asia and Australia including Hasbro Interactive, Vodafone and Ninemsn. Chris has also co-founded a number of start-up businesses that delivered disruptive online products. Since joining in 2014, Chris has leveraged Collaborate's initial focus and expertise in the sharing economy and evolved it to help the automotive industry connect with consumers who want more flexible access to vehicles. Chris graduated from University of Technology, Sydney with a Bachelor of Business (Marketing).

**Mr Stephen Abolakian**

*Non-Executive Director - appointed 14 February 2019*

Stephen is an accomplished executive with experience across property development, finance, capital raising, operations and human resources. In 2012 Stephen was appointed Managing Director of Hyecorp Property Group, a diversified Australian property group with three key operating divisions – property development, construction and funds management. Hyecorp grew from initial roots in the automotive repair and accident replacement industry. Hyecorp is associated with the Willoughby Capital Trust, the largest shareholder of Collaborate Corporation Limited. Stephen graduated from Sydney University with a Bachelor of Economics and holds a Diploma of Financial Markets from FINSIA.

**Mr Robert (Robbie) Blau**

*Non-Executive Director - appointed 10 December 2019*

Robbie has significant experience in the fleet management and leasing industry. He has been CEO of SG Fleet Group since July 2006 and was appointed to the SG Fleet Group Board as an Executive Director in January 2014. Robbie has overall responsibility for the strategic development of SG Fleet Group and manages its relationships with financial services partners. Robbie practised as a commercial attorney and has held several senior executive roles in South Africa and Australia. Robbie holds a Bachelor of Commerce (Accounting and Law) and a Bachelor of Laws (Cum Laude) from the University of the Witwatersrand, as well as a Higher Diploma in Tax Law from Johannesburg University.

**Mr Todd Hunter**

*Non-Executive Director - appointed 1 October 2019*

Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses (Ernst & Young, Microsoft and New Zealand Post). He has been Group CEO of Turners since July 2016. Turners is a New Zealand based integrated automotive financial service group, primarily operating in three key areas of automotive retail, finance and insurance, and debt management systems. Todd joined the listed entity Turners Auctions in 2006 and became CEO of Turners Auctions in 2013. Turners Auctions was taken over in 2014 by listed entity Dorchester Pacific Finance which was then renamed to Turners Automotive Group. Todd was appointed Group CEO for the wider Turners Automotive Group business in 2016. Todd is a Chartered Accountant and holds a Bachelor and Diploma of Commerce from Auckland University.

**Ms Michelle Vanzella**

*Non-Executive Director (Independent) - appointed 1 September 2018*

Michelle has an extensive combination of customer, marketing, digital, data and commercial legal skills built up across multiple industries including technology, retail, property and financial services. Michelle practised Corporate & Commercial Law at Allens and has held senior executive positions with iconic Australian brands including Westfield, Suncorp and AAMI. She was previously an independent non-executive director of Canteen Australia. She is currently a non-executive director at Hunter Water and sits on the Investment Committee and the Science, Environment & Human Health Committee. Michelle has a Bachelor of Law (Hons) & Economics and an MBA from AGSM.

**Mr Kevin Wundram**

*Alternate Director to Mr Blau - appointed 10 December 2019*

Kevin has significant experience in the fleet management and leasing industry. He has been the Chief Financial Officer of SG Fleet Group since July 2006 and was appointed to the Board as an Executive Director in August 2015. Kevin worked in the audit and corporate finance divisions of KPMG South Africa for 6 years and was responsible for special projects at Super Group, including the execution of acquisitions, disposals and due diligence. He was also a member of the management committees of the Automotive Parts, Commercial Vehicle Dealerships and Supply Chain Divisions of that company. Kevin holds a Bachelor of Commerce from the University of the Witwatersrand, an Honours Bachelor of Accounting Science degree from the University of South Africa and is a Chartered Accountant.

**COMPANY SECRETARY**

**Ms Karen Logan**

*Appointed 27 October 2009*

Karen is a Chartered Secretary with over 15 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She is a Fellow of the Institute of Chartered Secretaries and Administrators, a Fellow of the Governance Institute of Australia, a Fellow of the Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors. Karen is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing corporate and accounting services to those clients.

## DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Parent Entity during the financial year were:

| Director | Board Meetings | | Nomination and Remuneration Committee Meetings | | Audit and Risk Committee Meetings | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Mr Adrian Bunter | 12 | 12 | 2 | 2 | 4 | 4 |
| Mr Chris Noone | 12 | 12 | N/A | N/A | N/A | N/A |
| Mr Stephen Abolakian | 12 | 11 | 2 | 2 | 4 | 3 |
| Mr Robbie Blau[1] | 7 | 6 | N/A | N/A | N/A | N/A |
| Mr Todd Hunter[2] | 9 | 9 | N/A | N/A | N/A | N/A |
| Mrs Michelle Vanzella | 12 | 12 | 2 | 2 | 4 | 4 |
| Mr Kevin Wundram[3] | 7 | 1 | N/A | N/A | N/A | N/A |

Notes:

1. Appointed 10 December 2019.
2. Appointed 1 October 2019.
3. Appointed 10 December 2019 as Alternate Director for Mr Blau.

### Committee membership

As at the date of the report, the Parent Entity had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors.

Members acting on the Committees of the Board during the financial year were:

| Nomination and Remuneration Committee | Audit and Risk Committee |
|---|---|
| Ms Michelle Vanzella (Chair) | Mr Adrian Bunter (Chair) |
| Mr Stephen Abolakian | Ms Michelle Vanzella |
| Mr Adrian Bunter | Mr Stephen Abolakian |

Effective from 1 July 2020:

- Mr Todd Hunter was appointed as a member of the Nomination and Remuneration Committee; and
- Mr Robbie Blau was appointed as a member of the Audit and Risk Committee.

## DIRECTORS' INTERESTS

The following relevant interests in the fully paid ordinary shares (**Shares**) and Options of the Parent Entity were held by the Directors as at the date of this report.

| Director | Shares | Options[1] | | | | |
|---|---|---|---|---|---|---|
| | | Unquoted Options | Executive A | Executive B | Officer A | Officer B |
| Mr Adrian Bunter | 9,200,000 | 1,333,333 | Nil | Nil | 1,500,000 | 1,500,000 |
| Mr Chris Noone[2] | 8,062,350 | 336,110 | 883,333 | 883,333 | 3,500,000 | 7,000,000 |
| Mr Stephen Abolakian[3] | 241,142,533 | 75,791,667 | Nil | Nil | Nil | Nil |
| Mr Robbie Blau[4] | Nil | Nil | Nil | Nil | Nil | Nil |
| Mr Todd Hunter[5] | Nil | Nil | Nil | Nil | Nil | Nil |
| Mrs Michelle Vanzella | Nil | Nil | Nil | Nil | Nil | Nil |
| Mr Kevin Wundram[4 5] | Nil | Nil | Nil | Nil | Nil | Nil |

Notes**:**

1. Refer to Note 15 for details of grant dates, expiry dates and exercise price of options on issue.
2. 8,062,350 Shares and 12,602,776 Options are held indirectly through Noone Holdings Pty Ltd as trustee for C&K Noone Family Trust.
3. 241,142,533 Shares and 75,791,667 Unquoted Options are held indirectly through Willoughby Capital Pty Ltd as trustee for Willoughby Capital Trust (**Trust**). Mr Abolakian is a potential beneficiary of the Trust. MNA Family Holdings Pty Ltd as trustee for Hishenk Pty Ltd Superannuation Fund holds 6,562,500 Shares and 875,000 Unquoted Options in Collaborate. Mr Abolakian's parents are directors and shareholders of MNA Family Holdings Pty Ltd and are beneficiaries of the Hishenk Pty Ltd Superannuation Fund.
4. Turners Automotive Group Limited holds 125,000,000 Shares and 83,333,333 Unquoted Options in Collaborate. Mr Hunter is the CEO and a shareholder of Turners.
5. SG Fleet Management Pty Limited, a subsidiary of SG Fleet Group Limited (**SG Fleet**), holds 166,174,725 Shares in Collaborate. Mr Blau is a director, shareholder and Chief Executive Officer of SG Fleet. Mr Wundram, Alternate Director for Mr Blau, is a director, shareholder and Chief Financial Officer of SG Fleet.

## PRINCIPAL ACTIVITY

The principal activity of the Parent Entity and Group during the financial year was the operation of peer-to-peer online marketplaces, including the provision of subscription services. In light of the significant opportunities in the mobility sector, Collaborate considered the available resources of the Group and reviewed the potential of the Mobilise and MyCaravan platforms and decided to cease operations of those businesses on 30 January 2020 and 30 July 2020, respectively. There was no material impact on revenue or the carrying value of assets on the group financial position as a result of the decision and the closures will deliver cost savings and allow resources to be focused on DriveMyCar and the Carly car subscription proposition going forward.

## REVIEW OF OPERATIONS

### Operating review

Collaborate continued to focus its strategy on the mobility and automotive industries, leveraging its capital-light business model and innovation ability to align with opportunities arising as a result of declining car sales and an increasing preference for access to vehicles instead of ownership and long-term financial commitment. The Carly vehicle subscription service continued to expand during the 2020 financial year (**FY20**), achieving its strongest growth in subscribers in the June 2020 Quarter, despite the turmoil arising from the COVID-19 pandemic.

Additional funding was secured through a partially underwritten non-renounceable entitlement issue and strategic investment from respected and leading fleet management and leasing firm SG Fleet (ASX:SGF), following the strategic investment by Turners Automotive Group (ASX:TRA; NZX:TRA) in June 2019. During H1 FY20, the Board welcomed Todd Hunter, CEO of Turners, and Robbie Blau, CEO of SG Fleet as non-executive directors. Positioning the Company for growth, the management team was also strengthened by the appointment of Ben Hershman, formerly of Deloitte, Hyundai and Volkswagen, as Chief Operating Officer, and the recruitment of a Head of Marketing, Operations Manager and Head of Product.

Revenue in FY20 increased by 16%, gross profit increased by 22% and loss from continuing operations increased by 2% on a like-for-like basis (excluding the goodwill adjustment) as the Group invested in marketing and personnel to support the growth of Carly (refer to Financial Overview below for full details). FY20 revenues were significantly impacted by COVID-19 in both rideshare rentals and in traditional car rentals.

The 2020 financial year represented a transition period for the business, with a stronger focus on mobility opportunities, investment in Carly and a lesser reliance on the cyclical demand for car rentals provided by DriveMyCar. The provision of rental vehicles for rideshare drivers continued to grow during the year until the substantial decline later in FY20 as the COVID-19 pandemic impacted the demand for rideshare vehicles. However, we remain confident that rideshare rentals are positioned well to benefit from an opening up of the economy as consumers may remain wary of public transport and more people may seek self-employment opportunities as rideshare drivers and opt for a lower risk option of car rental instead of purchasing a vehicle. Revenue from Carly vehicle subscription grew strongly and actually accelerated in the latter part of FY20 as consumers and businesses recognised the benefit of more flexible access to vehicles in preference to longer-term commitment loan or outright purchase. Despite the significant investment in Carly to-date, costs have been carefully managed in line with revenue.

The number of live Carly car subscriptions increased by 43% during the June 2020 Quarter. This can be compared to retail sales of new passenger vehicles and SUVs, which declined by 18% in the June 2020 Quarter vs. the March 2020 Quarter (VFACTS June 2020). Carly is an alternative to car purchase and provides a lower risk option for consumers and businesses that require cars but do not want to take on long-term financial obligations. Given the recent economic turmoil, Carly provides a highly attractive option for consumers and businesses, and Collaborate expects this interest to continue to increase. Despite impacts to revenue in the June 2020 Quarter, all revenue streams have rebounded strongly from the lows experienced during the Quarter. April 2020 was the first full trading month to experience lockdown restrictions. Compared to April 2020, total Rental and Subscription Value in June 2020 increased overall by 19%, led by Carly with 43% growth, DriveMyCar with 28% growth and a decline in rideshare rentals. The rideshare rental revenue stream has continued to be impacted in the short term by the restrictions in Melbourne. The ongoing challenges of COVID-19 are acknowledged, and substantial cost saving measures were implemented in April 2020 to ensure that Collaborate had sufficient resources to cope with a reduction in economic activity. A 20% salary reduction for all employees and a 40% fee reduction for non-executive directors was implemented from 15 April 2020. Rent reductions were negotiated for premises and State and Federal Government assistance totalling $102,500, including the JobKeeper subsidy, was secured during the June 2020 Quarter. An R&D Tax Incentive payment of $74,055 for the 2019 financial year was also received in the Quarter. Despite the continuing challenges, Collaborate believes it is well positioned to take advantage of new opportunities that are arising as consumers and businesses reassess the merits of taking on long-term finance for vehicles in a period of economic uncertainty.

On 2 July 2019, Collaborate announced that it had raised $1 million (funds received in June 2019) through a placement to a strategic investor, Turners Automotive Group Limited (ASX:TRA; NZX:TRA) (Turners). Turners is a New Zealand-based integrated automotive financial services group, primarily operating in the automotive sector, and provides strength in the key areas of automotive retail, finance and insurance, and debt management systems. Collaborate is leveraging Turners' industry experience to accelerate the growth of Carly in the car subscription market in Australia. In addition to the placement, Carly was engaged to provide the technology platform and operational services for the launch of Turners Subscription in New Zealand, which was originally scheduled to launch in March 2020, but delayed due to the Stage 4 lockdown to now launch in September 2020, subject to any ongoing restrictions arising from the COVID-19 pandemic. The launch in New Zealand will enable Collaborate to leverage its existing investment in the technology platform supporting Carly and support Turners, the largest seller of cars in New Zealand, to compliment their existing revenue streams with a car subscription proposition.

During FY20, the Company negotiated extensions of the repayment date of the Financing Facility of $850,000 to 1 October 2020. With effect from 1 October 2019, the parties also agreed to reduce the simple interest payable on the Financing Facility from 12% to 9% per annum. The Company was also advised that the Abolakian family completed an internal restructure of its assets resulting in a total of 127,455,033 fully paid ordinary shares in Collaborate held by Hishenk being transferred to the Willoughby Capital Trust, an entity associated with Mr Stephen Abolakian, a director of the Company. As part of the restructure, the Financing Facility and Advance were also novated from Hishenk to the Willoughby Capital Trust. The Abolakian family have shown their strong ongoing support for the Company by agreeing to underwrite $1.15m of the Entitlement Issue, which completed in August 2019.

During FY20, a total of $1.598 million of funding was raised through a partially underwritten non-renounceable entitlement offer of shares and free-attaching options, which was supported by Collaborate investors, including Willoughby Capital and Turners Automotive Group. A total of 159,849,080 New Shares and 106,566,006 Unquoted Options were issued on 27 August 2019, representing take-up of 78% of the total Shares offered under the Entitlement Issue. The Entitlement Issue was offered to eligible shareholders on the basis of one (1) new fully paid ordinary share (Share) for every four (4) Shares held, together with two (2) free attaching options for every three (3) new Shares subscribed for and issued. The free attaching options are unquoted, exercisable at $0.015 each, and expire on 18 December 2020 (**Unquoted Options**). The Entitlement Issue was partially underwritten up to $1.255 million by existing shareholders of the Company, namely Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust and Reefpeak Pty Ltd, alongside officers of the Company, namely Adrian Bunter and Karen Logan. The results of the Entitlement Issue include take-up of entitlements (15,000,000 Shares and 10,000,000 Unquoted Options) by offset of the advance of $150,000 previously announced on 14 March and 16 July 2019 and provided by the Willoughby Capital Trust.

On 18 October 2019, Collaborate announced that an agreement had been signed with Hyundai Motor Company Australia (**Hyundai**) to launch an Australian industry first vehicle subscription proposition that will enable customers to subscribe via Carly to vehicles provided by Hyundai dealers in Australia. Hyundai is the third largest automotive manufacturer by volume in Australia (VFacts Sep 2019 YTD). Hyundai's partnership with Carly marks a significant step forward for the car subscription industry in Australia. Hyundai is the first manufacturer to support a vehicle subscription service in Australia across multiple models in its new vehicle range and its dealer network is the first to deliver a subscription service to enable customers to subscribe to used Hyundai vehicles. Carly is the first manufacturer-led subscription service to enable the Hyundai dealer network to earn subscription revenue from vehicles whilst retaining long-term ownership and eventual resale opportunities. Carly and Hyundai have jointly initiated a dealer sign-up and onboarding campaign to engage Hyundai network dealers in the subscription program. Availability of dealer-owned vehicles has been delayed by COVID-19, however Hyundai-owned vehicles are available and are highly utilised. Carly has launched a Hyundai mini-site to showcase the vehicles available for subscription, which utilises geo-location functionality to display the vehicles available at dealers located in closest proximity to the subscriber. Carly is managing a digital marketing campaign, funded by Hyundai, to drive subscriber acquisition across various channels, including search, web display and retargeting and Facebook.

Collaborate announced on 14 November 2019 that it raised $1.74 million through a placement to a strategic investor, SG Fleet Management Pty Limited, a subsidiary of SG Fleet (**Placement**), with a further $0.46 million invested upon conversion of options received under the Placement. SG Fleet is one of Australia's leading specialist providers of fleet management, vehicle leasing and salary packaging services. SG Fleet has a presence across Australia, as well as in the United Kingdom and New Zealand. The company employs approximately 700 staff and has approximately 140,000 vehicles under management. SG Fleet is providing vehicles to the Carly marketplace on commercial terms similar to those that apply to existing providers to Carly. Collaborate and SG Fleet will work together to accelerate the growth of Carly's consumer demand channels for car subscription and leverage SG Fleet's significant experience and relationships in the business and government markets to realise the substantial opportunity in this area by allowing these customers, their clients and their staff to access car subscription via Carly.

Collaborate continues to direct its resources and strategic focus towards its mobility strategy given the large number of opportunities resulting from significant changes in the automotive industry and rapid evolution of the ways that consumers wish to access vehicles. Car subscription, which Frost & Sullivan has forecast to account for 10% of new car sales in the USA and Europe in 2025, is an area of significant opportunity for Collaborate. Carly has been launched to capitalise on the opportunity in the current $60 Billion p.a. car sales market in Australia. DriveMyCar continues to pursue opportunities in the car rental market including private and rideshare rentals. Both Carly and DriveMyCar leverage the operations expertise, technical platform and industry relationships established by DriveMyCar. To support this focus, the legacy Mobilise and MyCaravan businesses ceased operations in January 2020 and July 2020 respectively. There was no material impact on revenue or the carrying value of assets on the group financial position as a result of these changes.

As part of the 2020 financial year end audit, the Board assessed the carrying value of the DriveMyCar group intangible assets value. Although the Directors are of the opinion that the intangible assets associated with the DriveMyCar business continue to have value and provide the online marketplace for the DriveMyCar and Carly businesses, notwithstanding ongoing losses being incurred, the ongoing uncertain economic environment makes it difficult to reasonably forecast revenues associated with the platform (as required by accounting standards), particularly in the long term. As a result, an impairment loss of $2,079,699 was recognised in relation to the carrying value of goodwill acquired on the acquisition of the DriveMyCar business in the 2020 financial year.

This non-cash adjustment is reflected in the net loss for the 2020 financial year. The impairment loss in respect of goodwill acquired on acquisition of the DriveMyCar business has no impact on the cash flow or funding of the

Company or the Group. But as a result of the recognition of the impairment loss, the Group's net assets are less than total liabilities giving rise to a deficiency in net assets as at 30 June 2020. The liabilities associated with the Willoughby Capital Financing Facility will not be required to be repaid in cash and will be offset against commitments under the 2020 Entitlement Issue (see below).

On 18 May 2020, the Company announced the launch of a small holdings sale facility. The facility was provided to enable shareholders with Small Holdings to sell their shares at a price of $0.009 per share without having to use a broker and pay brokerage or handling costs. In accordance with the Company's Constitution and the ASX Listing Rules, Small Holdings with a market value of less than $500, were determined to be any registered shareholding of less than 71,429 shares, based on the closing price of CL8 Shares of $0.007 on the Record Date. Existing shareholders of the Company agreed to purchase the Small Holdings from Eligible Shareholders under the Facility, namely SG Fleet, alongside CEO and Director, Chris Noone. Upon conclusion of the Small Holdings Sale Facility on 6 July 2020, the Company had 769 shareholders, a reduction of 824 shareholders, and expects a reduction in administrative costs, including printing and mailing costs and share registry expenses.

While many businesses will be severely impacted by COVID-19, Collaborate's efforts to reposition itself over the past 12 months have prepared it well to deal with the current challenges, benefit from economic uncertainty and leverage opportunities brought about by longer-term structural change in the automotive market. Carly car subscription is an alternative to a loan or outright purchase of a vehicle and provides consumers and businesses with the ability to access vehicles they require without long-term financial commitment risks associated with changes in circumstances. It is likely that the COVID-19-related concern about the economy will accelerate the shift to more flexible vehicle access options. Collaborate believes that Carly is likely to benefit from this shift, even in an environment of slow or negative economic growth.

**Financial review**

The Group revenue from continuing operations increased by $161,991 or 16% to $1,196,203. Gross profit increased by $103,640 or 22%. The Group incurred a loss of $5,370,285 for the year (2019: $3,235,752), including the non-cash impairment expense of $2,079,699 in relation to the goodwill on acquisition of the DriveMyCar business. On a like for like basis and excluding the goodwill adjustment, the loss increased by 2% for the year.

Revenues are the amounts received or receivable by the Group for services rendered and do not include the amounts paid to owners for rental or other services. The total transaction value of services via peer-to-peer marketplaces is the sum of amounts received by the owners of assets and the services revenue of the Group.

At 30 June 2020, the Group had a deficiency in net assets of $127,430 (2019: net assets of $1,503,521), including cash reserves of $1,433,953 (2019: $1,246,590). The deficiency in net assets arose as a result of the impairment expense of $2,079,699 in relation to the goodwill acquired on acquisition of the DriveMyCar business.

During the year, the Company received a research and development tax incentive rebate of $74,055 in relation to R&D activities carried out in the 2019 financial year.

On 31 August 2020, with effect on 30 June 2020 and in accordance with section 258F of the Corporations Act, the Company reduced its paid up issued capital balance by $20,612,672 with an equal reduction of the accumulated losses balance. The directors felt it was appropriate to adjust the capital and accumulated losses for past historical write-offs and legacy costs associated with discontinued operations and present a statement of financial position that is more representative of the current assets of the Company and the Group, being DriveMyCar and the Carly car subscription service. There was no impact on shareholders from the capital reduction as no shares were cancelled or rights varied. Similarly, creditors were not affected as there was no change in available assets. There was also no impact on the availability of the Company's tax losses from this capital reduction and it is not inconsistent with the accounting standards. The capital reduction had the effect of reducing issued capital and accumulated losses balances in the Group's financial statements. Refer to Notes 15 and 17 to the Financial Statements for further information.

Subsequent to balance date, the Company announced the intention to undertake a non-renounceable partially underwritten entitlement issue of shares to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including offset of the $850,000 related party Financing Facility by Willoughby Capital against commitments under the offer) (**2020 Entitlement Issue**). Refer to Note 28 to the Financial Statements for further information.

The Board considers it appropriate to prepare this Annual Report on a going concern basis as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. These include the Company's ability to modify expenditure outlays, if required. The Directors also continue to consider opportunities to source further funding to supplement its existing working capital and fund growth of the Carly car subscription business. Further details are set out in Note 1(b) to the Financial Statements.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Significant changes in the state of affairs of the Company during the financial year were as follows:

1. On 16 July 2019, the Financing Facility of $850,000 and Advance of $150,000 were novated from Hishenk Pty. Ltd. to Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (**Willoughby Capital**) following an internal restructure of the Abolakian family assets. Willoughby Capital is a related party of the Company by virtue of Mr Abolakian being a potential beneficiary of the trust. Refer to Note 14 for further information on the Financing Facility and Advance.
2. On 16 July 2019, Willoughby Capital agreed to the variation of terms of the Financing Facility as follows:
   - the repayment date was extended from 30 September 2019 to 31 March 2020; and
   - with effect from 1 October 2019, the simple interest payable will be reduced to 9% from 12% per annum.
3. On 22 July 2019, Willoughby Capital agreed to underwrite up to $1,150,000 of the non-renounceable entitlement issue of shares and free-attaching options to raise up to $2,061,358 (**2019 Entitlement Issue**), including take up of $150,000 of entitlements by offset of the Advance.
4. On 27 August 2019, the Company completed the 2019 Entitlement Issue on a 1-for-4 basis to shareholders of the Company at an offer price of $0.01 per Share raising $1,598,491 before costs, including a total of $1,255,000 underwritten by existing shareholders and officers of Collaborate (including offset of the $150,000 Advance by Willoughby Capital). Subscribers under the 2019 Entitlement Issue received free-attaching unquoted options on a 2-for-3 basis which have an exercise price of $0.015 per option and an expiry date of 18 December 2020 (**Unquoted Options**).
5. On 14 November 2019, the Company announced that it had raised $1,742,865 through a placement to a strategic investor, SG Fleet Management Pty Limited, a subsidiary of SG Fleet (**Placement**), with a further $462,865 invested upon conversion of Unquoted Options received under the Placement.
6. On 29 November 2019, the Company issued 66,666,667 free-attaching Unquoted Options to strategic investor, Turners Automotive Group Limited (**Turners**), following receipt of shareholder approval at the 2019 annual general meeting. The Unquoted Options were issued pursuant to the terms of the $1,000,000 placement to Turners completed on 28 June 2019.
7. On 31 March 2020, Willoughby Capital agreed to extend the repayment date of the Financing Facility of $850,000 from 31 March 2020 to 1 July 2020.
8. On 11 June 2020, the Group received an R&D Tax incentive rebate of $74,055, for the 2019 financial year.
9. On 30 June 2020, Willoughby Capital agreed to extend the repayment date of the Financing Facility of $850,000 from 1 July 2020 to 1 October 2020. Refer to Note 28 for further information on variation of terms of the Financing Facility agreed with Willoughby Capital subsequent to balance date.

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

There were a total of 1,151,752,495 Shares on issue at 30 June 2020, including 20,000,000 Shares issued as collateral shares under the controlled placement deed with Acuity Capital. Refer to Note 15 for further information on the controlled placement deed.

**RESULTS**

The Group recorded a loss of $5,370,285 (2019: loss of $3,235,752) after income tax for the year, including the non-cash impairment expense of $2,079,699 in relation to the goodwill on acquisition of the DriveMyCar business. On a like for like basis and excluding the goodwill adjustment, the loss increased by 2% for the year.

**LIKELY DEVELOPMENTS**

The Group will continue with the development of its online marketplaces. The allocation of resources will continue to be focused on the high growth opportunities available to the Group. Future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

**MATERIAL BUSINESS RISKS**

The proposed future activities of the Group are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and management of the Group and cannot be mitigated. An investment in the Group is not risk free and should be considered speculative.

This section provides a non-exhaustive list of the risks faced by the Group or by investors in the Group. The risks should be considered in connection with forward looking statements in this Annual Report. Actual events may be materially different to those described and may therefore affect the Group in a different way.

Investors should be aware that the performance of the Group may be affected by these risk factors and the value of Collaborate's Shares may rise or fall over any given period. None of the Directors or any person associated with the Group guarantee the Group's performance.

| Material business risk | Mitigating actions |
|---|---|
| **COVID-19 risk**<br><br>The novel coronavirus COVID-19 (**COVID-19**) is causing a significant change in economic conditions and the way in which businesses and consumers operate. This creates significant uncertainty and additional risk to the group for business planning and forecasting. | The Board regularly assesses the latest State and Federal Government updates in relation to the COVID-19 pandemic and implements and adjusts measures and policies as necessary.<br><br>The Board will continue to regularly assess expenditure levels and the financial position of the group and growth opportunities that may be available to the business as a result of the COVID-19 pandemic. The Company will communicate to the market any material changes to its precautionary measures in response to any COVID-19 related disruption. |

| Material business risk | Mitigating actions |
|---|---|
| **Level of demand and supply for assets featured in the online marketplaces**<br><br>Group revenues depend upon attracting demand and supply for its online marketplaces. The success of the online marketplaces is influenced by the number of new users, the number of asset owners and renters, the number of assets and listings and other factors that affect the amount of revenues.<br><br>A decline in supply or demand could lead to a decline in the number of owners and renters and volume of rental transactions which in turn could impact the financial results of the Group. | Management deploys various paid and unpaid strategies to acquire supply and demand, both independently and in conjunction with strategic partners, to increase demand for rentals and grow the number of asset listings on the Group's online marketplaces.<br><br>Management monitors and regularly optimises customer acquisition and conversion activities based on strategic partnership opportunities and anticipated demand and asset availability and seasonality. |
| **Innovation risk**<br><br>The Group's ability to retain, increase, and engage its users and address their evolving needs and to increase revenues will depend heavily on management's ability to successfully create, launch and grow demand for new products, both independently and in conjunction with strategic partners.<br><br>While the Group dedicates significant resources to understanding its owners and renters needs and upgrading its product offering and sharing economy platform to remain innovative and in tune with trends, the Group's owners and renters may not be satisfied with its offerings or perceive that its offerings do not cater to their needs.<br><br>Remaining innovative and developing new and unique product offerings require investment and configuration that requires monetary and internal resource investment which may erode the Group's competitive position and adversely affect the growth and profitability of the Group. | The Group presently fosters a culture that encourages management to quickly develop and launch new and innovative products and introduce improvements to existing products.<br><br>Management monitors and regularly assesses its products and adjusts resources deployed to and expended upon the various initiatives based on the feedback from its users and strategic partners and the Group's ability to successfully monetise its products offerings. |

| Material business risk | Mitigating actions |
|---|---|
| **Growth risk**<br>The Group's ability to increase revenues will depend heavily on management's ability to successfully retain, increase and engage its users and grow demand for its products both independently and in conjunction with strategic partners.<br>The Group currently prioritises user engagement and strategic partnerships over short-term financial results, and management may make product decisions that may reduce the Group's short-term revenue or profitability if management believes that the decisions are consistent with current priorities of the businesses and benefit owners and renters and will thereby improve Group's financial performance over the medium to long term. These decisions may not produce the long-term benefits that management expects, in which case user growth and engagement, relationships with strategic partners and results of operations could be harmed. | Management of growth is critical to the business but places pressure on resourcing, innovation and evolution of the businesses. The Board, together with management, continue to implement initiatives that it believes will deliver value to the Group by meeting customer needs and effectively utilising available financial resources |

| Material business risk | Mitigating actions |
|---|---|
| **Insurance risk**<br><br>The Company, where economically feasible, may insure its operations in accordance with industry practice. However, even if insurance is taken out, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with the Company's operations is not always available and where available the costs may be prohibitive. | The Group business has a fleet insurance policy to cover owners and drivers of vehicles used for rental contracts created via its online marketplaces. The insurance policy requires the Group to cover an initial component of claims, some or all of which may be recovered from the renter of the vehicle. From time to time, the Group makes economic decisions which may result in the Group not claiming on its fleet insurance policy and covering claims itself where it believes it is beneficial to do so. The Group's business plan takes into account the payment of the first component of claims and settlement of some other damages claims.<br><br>The Group has maintained a policy with the same insurer since inception. The claims paid out by the insurer are less than the cumulative premiums paid by the Group. The Group continues to monitor its insurance position with a view to ensuring ongoing insurance coverage and with the experience developed has undertaken discussions with possible alternative insurance providers. The Group does not expect there to be an issue in relation to obtaining insurance, however there can be no guarantee that the current insurer will continue to offer insurance coverage that is commercially acceptable to the Group and no guarantee that alternative insurance can be obtained on terms that may be commercially acceptable to the Group. |
| **Regulatory risks**<br><br>The introduction of new policies or legislation or amendments to existing policies or legislation and the failure by governments to act promptly to introduce new or amend existing policies or legislation that governs Group operations or contractual obligations, could impact adversely on the operations and, ultimately, the financial performance of the Group. | In conjunction with its strategic partners, management monitors the policies and regulations that apply to Group operations and regularly engages and consults with government agencies. |

| Material business risk | Mitigating actions |
|---|---|
| **Privacy and cyber security risks**<br><br>The Group collects, transmits and stores commercial and financial information. Advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyber terrorists, new discoveries in the field of cryptography or other developments may result in the Group's failure or inability to adequately protect its commercially sensitive information or against a disruption to the Group's online marketplaces.<br><br>The Group relies upon the availability of its online marketplaces to provide services to its clients. Hackers could render the online marketplaces unavailable through a denial of service or other disruptive attacks. Although the Group has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the online marketplaces could lead to a loss of revenues whilst the Group is unable to provide its product offerings and services. Further, it could hinder the Group's abilities to retain existing users or attract new users, which would have a material adverse impact on growth of the businesses. | The Group has established measures and systems to minimise the likelihood of security breaches and these systems are regularly monitored for development or improvement. Network security and penetration testing assessments are conducted by third party auditors on Group systems. |
| **Finance risk**<br><br>There is no certainty regarding the ability of the Group to raise sufficient funds to meet its needs into the future. The Group's future capital requirements depend on a number of factors including its ability to generate sufficient income from its operations.<br><br>The Group might need to raise additional capital from equity or debt sources due to unforeseen circumstances. There can be no assurance that the Group will be able to raise such capital on favourable terms or at all. If adequate funds are not available on acceptable terms the Group may not be able to develop its business to the desired level or at all, and this may have an adverse impact on the Group's operations. | The Board regularly assesses the financial position of the Group and continues to assess all funding alternatives available to ensure that it can continue to make good progress on all strategic growth areas and maintain focus on growing both demand for and supply of assets. |

| Material business risk | Mitigating actions |
|---|---|
| **Intellectual Property risk**<br><br>The Company has developed an online marketplace for its businesses. In particular, the Company has developed a platform to support its product offerings and facilitate transactions between asset owners and renters.<br><br>The laws relating to intellectual property assist to protect the Company's proprietary rights in the intellectual property relevant to the Company's businesses. However, trademark registration, although an indicator of valid intellectual property ownership, is not indefeasible as any errors in the registration process can lead to registration being challenged or revoked. Accordingly, the Company cannot be certain that the validity, ownership or authorised use of intellectual property relevant to the Company's businesses will not be successfully challenged by third parties. In addition, there can be no guarantee that unauthorised use or copying of the Company's software, data, specialised technology or algorithms will be prevented. | The Company has also sought and received protection of certain of its intellectual property, namely trademarks which are at various stages from application to registered in Australia. |

**DIVIDENDS**

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

**ENVIRONMENTAL REGULATION**

The Group's operations are not subject to any significant environmental regulations under Commonwealth or State legislation. However, the Directors believe that the Group has adequate systems in place for the management of its requirements under environmental regulations and are not aware of any breach of those regulations as they apply to the Group.

**GOVERNANCE**

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

The Company's corporate governance statement is available on the Company's website, in a section titled 'Corporate Governance': http://collaboratecorp.com/investor-relations/corporate-governance/

**EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to balance date, on 31 August 2020, the Company announced the intention to undertake a non-renounceable entitlement issue to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including offset of the $850,000 Financing Facility by Willoughby Capital against commitments under the offer) (**2020 Entitlement Issue**). The 2020 Entitlement Issue will be offered on a 1-for-3 basis to shareholders of the Company at an offer price of $0.009 per Share. Subscribers for Shares issued under the 2020 Entitlement Issue will also receive free attaching options on a one-for-five basis. The options will have an exercise price of $0.015 per option and will expire on 31 October 2022.

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

Other than the matters described above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## OPTIONS

### Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are as follows:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2020 | $0.0386 | 2,081,796 |
| Executive A Options | 28 November 2020 | $0.0198 | 883,333 |
| Executive B Options | 28 November 2020 | $0.0298 | 883,333 |
| Officer A Options | 23 November 2020 | $0.0494 | 7,000,000 |
| Officer B Options | 23 November 2020 | $0.0792 | 10,500,000 |
| Unquoted Options | 18 December 2020 | $0.0150 | 173,217,106 |
| Employee Options | 3 September 2021 | $0.0211 | 1,940,111 |
| Employee Options | 1 February 2022 | $0.0163 | 260,031 |
| Employee Options | 7 May 2022 | $0.0125 | 1,000,000 |
| Employee Options | 7 May 2022 | $0.0150 | 1,000,000 |
| Employee Options | 2 September 2022 | $0.0100 | 1,750,541 |
| Employee Options | 1 January 2023 | $0.0200 | 349,508 |
| Employee Options | 16 March 2023 | $0.0100 | 1,500,000 |
| Employee Options | 11 May 2023 | $0.0100 | 3,000,000 |

Refer to the Remuneration Report for further details of options outstanding held by Key Management Personnel.

### Issue of options

The following options were issued during the financial year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Unquoted Options | 18 December 2020 | $0.0150 | 204,090,352 |
| Employee Options | 2 September 2022 | $0.0100 | 7,359,602 |
| Employee Options | 1 December 2022 | $0.0188 | 611,528 |
| Employee Options | 1 January 2023 | $0.0200 | 349,508 |
| Employee Options | 16 March 2023 | $0.0100 | 1,500,000 |
| Employee Options | 11 May 2023 | $0.0100 | 3,000,000 |

### Shares issued as a result of the exercise of options

During the financial year, the following options to acquire ordinary shares in the Company were exercised:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Unquoted Options | 18 December 2020 | $0.0150 | 30,873,246 |
| Employee Options | 2 September 2022 | $0.0100 | 4,477,636 |

**Expiry of options**

The following options expired during the financial year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2019 | $0.0223 | 1,634,797 |
| Executive A Options | 28 November 2019 | $0.0198 | 883,333 |
| Executive B Options | 28 November 2019 | $0.0298 | 883,333 |
| Employee Options | 1 March 2020 | $0.0248 | 316,622 |
| New A Options | 24 April 2020 | $0.0310 | 8,333,333 |
| New B Options | 24 April 2020 | $0.0500 | 3,333,333 |
| Management options | 1 May 2020 | $0.0358 | 1,000,000 |

**Lapse of options**

The following options lapsed in accordance with the terms of the Company's Incentive Option Plan during the financial year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2020 | $0.0386 | 326,498 |
| Employee Options | 3 September 2021 | $0.0211 | 324,545 |
| Employee Options | 1 October 2021 | $0.0188 | 318,272 |
| Employee Options | 1 June 2022 | $0.0100 | 140,074 |
| Employee Options | 2 September 2022 | $0.0100 | 1,131,425 |
| Employee Options | 1 December 2022 | $0.0188 | 611,528 |

**INDEMNIFICATION AND INSURANCE OF DIRECTORS**

**Indemnification**

The Parent Entity has agreed to indemnify the Directors and Company Secretary of the Group against all liabilities to another person (other than the Parent Entity or any related body corporate) that may arise from their position as Directors and Company Secretary of the Group, except where the liability arises out of conduct involving a lack of good faith.

The Parent Entity has also agreed to cover any liability for costs and expenses incurred in successfully defending civil or criminal proceedings, or in connection with a successful application for relief under the *Corporations Act 2001* (Cth). It also provides indemnity against costs and expenses in connection with an application where a court grants relief to a Director under the *Corporations Act 2001* (Cth).

**Insurance premiums**

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Group, the Company Secretary, and executive officers of the Group against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001* (Cth). The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) 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 purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

**NON-AUDIT SERVICES**

During the financial year, HLB Mann Judd, the Parent Entity's auditor, did not perform any non-audit services.

**REMUNERATION REPORT**

The Remuneration Report is set out on pages 20 to 26 and forms part of the Directors' Report.

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the *Corporations Act 2001* (Cth) requires our auditors, HLB Mann Judd, to provide the Directors of the Group with an Independence Declaration in relation to the audit of the Annual Report. The Independence Declaration is set out on page 28 and forms part of this Directors' Report for the year ended 30 June 2020.

**AUDITOR**

HLB Mann Judd continues in office in accordance with section 327 of the *Corporations Act 2001* (Cth).

# REMUNERATION REPORT

This Remuneration Report, which forms part of the Directors' Report, outlines the key management personnel remuneration arrangements of the Parent Entity and the Group in accordance with the requirements of the *Corporations Act 2001* (the **Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Parent Entity and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

## KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

### Directors

| Name | Position held |
|---|---|
| Mr Chris Noone | Chief Executive Officer and Executive Director |
| Mr Stephen Abolakian | Non-Executive Director |
| Mr Robbie Blau | Non-Executive Director (appointed 10 December 2019) |
| Mr Adrian Bunter | Non-Executive Director |
| Mr Todd Hunter | Non-Executive Director (appointed 1 October 2019) |
| Mrs Michelle Vanzella | Non-Executive Director |
| Mr Kevin Wundram | Alternate Director for Mr Blau (appointed 10 December 2019) |

## REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Parent Entity is responsible for determining and reviewing remuneration policies for the Directors and Executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership are set out in the Corporate Governance Statement.

## PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment's performance;
- the Group's performance including:
    - the Group's earnings and financial position; and
    - the growth in share price and delivering constant returns on shareholder wealth.

## REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-Executive Directors' remuneration is clearly distinguished from that of Executives.

### Non-Executive Director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2019 Annual General Meeting, is not to exceed $250,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-Executive Directors do not receive any retirement benefits, nor do they receive any performance related compensation.

The level of Non-Executive Directors' fees as at the reporting date were as follows:

| Name | Non-Executive Directors' fees[1] |
|---|---|
| Mr Stephen Abolakian | $30,000 per annum |
| Mr Robbie Blau | $30,000 per annum |
| Mr Adrian Bunter | $30,000 per annum |
| Mr Todd Hunter | $30,000 per annum |
| Mrs Michelle Vanzella | $30,000 per annum |
| Mr Kevin Wundram | No fee is paid as Mr Wundram is Alternate Director to Mr Blau |

1. Non-Executive Directors' fees were decreased to $18,000 from $30,000 per annum (40% reduction) with effect from 1 April 2020 in response to the economic impact of the COVID-19 pandemic.

**Executive remuneration**

Remuneration for Executives is set out in employment agreements.

Executive Directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

**Fixed remuneration**

Fixed remuneration consists of base compensation as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the Group. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

**Other benefits**

Key management personnel may receive benefits such as car allowances, and the Group pays fringe benefits tax on these benefits, where applicable.

**Performance linked compensation**

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward Executives for meeting or exceeding their financial and personal objectives. The short-term incentive (**STI**) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (**LTI**) may be provided as in the form of options over ordinary shares or as an 'at risk' bonus provided in the form of fully paid ordinary shares of the Parent Entity.

*Short-term incentives*

The Nomination and Remuneration Committee together with the Board have determined the key performance indicators (**KPIs**) for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and may include financial, non-financial, corporate and individual measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

At the end of the financial year and subsequent to the completion of the year-end audit, the Nomination and Remuneration Committee and Board of Directors assess the performance of the Group, the relevant segment and individual against the KPIs set. No bonus is awarded where performance falls below the minimum. If it is determined that the KPIs have been reached, the Nomination and Remuneration Committee recommends the STI to be paid to the individuals for approval by the Board.

During the year, Mr Noone received an STI payment of $20,000 for the 2019 financial year (2019: $12,000) which represented 25% of the maximum amount payable (2019: 15%). As the STI for the 2020 financial year is dependent upon KPIs linked to annual audited results for the Group, Mr Noone will not be assessed for any bonus until after release of the 2020 Annual Report, once the audit has been completed and the Board is able to determine whether a bonus will be paid.

*Long-term incentives*

LTI may be provided to key management personnel in the form of options over ordinary shares or as an 'at risk' bonus provided in the form of fully paid ordinary shares of the Parent Entity. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth.

For the purposes of the 'at risk' bonus, the Nomination and Remuneration Committee together with the Board have determined the KPIs for the key management personnel. At the end of the financial year and subsequent to the completion of the year-end audit, the Nomination and Remuneration Committee and Board of Directors assess the performance of the Group, the relevant segment and individual against the KPIs set. No bonus is awarded where performance falls below the minimum. Only one bonus may be claimed by a key management person in a financial year.

If it is determined a KPI has been reached, the Nomination and Remuneration Committee recommends the shares be issued to the individuals for approval by the Board. Options and shares may only be issued to Directors subject to approval by shareholders in a general meeting.

During the year, there were no options awarded to Directors as LTI (2019: nil). The Parent Entity has a policy that prohibits employees and Directors of the Parent Entity from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Parent Entity securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

**Use of remuneration consultants**

The Board did not engage the services of a remuneration consultant during the year.

**Voting and comments made at the Company's 2019 Annual General Meeting**

At the 2019 Annual General Meeting, more than 75% of votes cast were in favour of the adoption of the Company's remuneration report for the 2019 financial year (2018: more than 75%). The Company did not receive any comments at the Annual General Meeting on the remuneration report (2018: nil).

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial year and the previous four financial years:

| | **2020** | **2019** | **2018** | **2017** | **2016** |
|---|---|---|---|---|---|
| Net profit/(loss) for the year | ($5,370,285) | ($3,235,752) | ($2,991,370) | ($2,093,175) | ($1,925,702) |
| Dividends paid | Nil | Nil | Nil | Nil | Nil |
| Change in share price | (0.2 cents) | (0.6 cents) | (1.8 cents) | 1.2 cents | 0.1 cents |
| Share price at beginning of the period | 1.0 cents | 1.6 cents | 3.4 cents | 2.2 cents | 2.1 cents |
| Share price at end of the period | 0.8 cents | 1.0 cents | 1.6 cents | 3.4 cents | 2.2 cents |
| **Earnings/(loss) per share for loss from continuing operations** | | | | | |
| Basic loss per share | (0.51 cents) | (0.48 cents) | (0.48 cents) | (0.48 cents) | (0.55 cents) |
| Diluted loss per share | (0.51 cents) | (0.48 cents) | (0.48 cents) | (0.48 cents) | (0.55 cents) |

In assessing the above indices, the Directors note that the Group has yet to record a sustainable net profit or pay a dividend. Consequently, as the overall level of key management personnel's compensation takes into account the performance of the Group, that overall level has remained relatively unchanged, other than the increase or decrease in compensation levels due to the appointment or resignation of key management personnel.

Mr Noone was awarded a $20,000 performance related payment in respect of the 2019 financial year in accordance with the terms of his employment agreement. As noted above, Mr Noone will not be awarded any performance related payment until after release of the 2020 Annual Report, once the audit has been completed as the award for the 2020 financial year is dependent upon key performance indicators linked to annual results for the Group.

**EMPLOYMENT AGREEMENT**

Remuneration and other terms of employment for key management personnel are formalised in employment agreements. Details of the agreement in place during the 2020 financial year follows:

| | |
|---|---|
| Name: | Mr Chris Noone |
| Title: | Chief Executive Officer/ Executive Director |
| Agreement commenced: | 7 August 2014 |
| Term of agreement: | To continue indefinitely until terminated in accordance with the Agreement. |
| Probationary period: | Three months |
| Base salary: | $225,000 per annum, plus statutory superannuation effective from 1 July 2017 |
| Short term incentive: | Up to $80,000 per annum effective from 1 July 2017 (Previous STI: $60,000) |
| Long term incentive: | Subject to any relevant performance or other conditions, restrictions or requirements of the Board, the Corporations Act 2001 or the ASX Listing Rules, the Company may grant shares or options for the benefit of the executive as a long term incentive. |
| Termination: | Three months by either party. |

The Agreement otherwise contains provisions standard for an agreement of employment including in relation to annual, long service and personal leave, confidentiality and other general provisions.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

Remuneration for the year ended 30 June 2020

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| **2020** | Cash salary and fees $ | Bonus $ | Other benefits $ | Superannuation $ | Long service leave $ | Options $ | Total $ | Performance related % |
| **Non-Executive Directors[1]** | | | | | | | | |
| Mr S Abolakian | 27,000 | - | - | - | - | - | 27,000 | N/A |
| Mr R Blau [2 4] | 13,667 | - | - | - | - | - | 13,667 | N/A |
| Mr A Bunter | 27,000 | - | - | - | - | - | 27,000 | N/A |
| Mr T Hunter [3 5] | 19,500 | - | - | - | - | - | 19,500 | N/A |
| Ms M Vanzella | 27,000 | - | - | - | - | - | 27,000 | N/A |
| Mr K Wundram [2 6] | - | - | - | - | - | - | - | N/A |
| **Total Non-Executive Directors** | **114,167** | **-** | **-** | **-** | **-** | **-** | **114,167** | **N/A** |
| **Executive Director** | | | | | | | | |
| Mr C Noone | 215,596 | - | 8,017 | 20,482 | - | - | 244,095 | 0% |
| **Total Executive Director** | **215,596** | **-** | **8,017** | **20,482** | **-** | **-** | **244,095** | **0%** |
| **Total Directors** | **329,763** | **-** | **8,017** | **20,482** | **-** | **-** | **358,262** | **0%** |

Remuneration for the year ended 30 June 2019

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| **2019** | Cash salary and fees $ | Bonus $ | Other benefits $ | Superannuation $ | Long service leave $ | Options $ | Total $ | Performance related % |
| **Non-Executive Directors** | | | | | | | | |
| Mr S Abolakian [7] | 11,250 | | | | | | 11,250 | N/A |
| Mr A Bunter | 30,000 | - | - | - | - | - | 30,000 | N/A |
| Ms M Vanzella [8] | 25,000 | | | | | | 25,000 | N/A |
| Mr J Landau [9] | 5,000 | - | - | - | - | - | 5,000 | N/A |
| **Total Non-Executive Directors** | **71,250** | **-** | **-** | **-** | **-** | **-** | **71,250** | **N/A** |
| **Executive Director** | | | | | | | | |
| Mr C Noone | 225,000 | 20,000 | - | 23,275 | - | - | 268,275 | 7.46% |
| **Total Executive Director** | **225,000** | **20,000** | **-** | **23,375** | **-** | **-** | **268,275** | **7.46%** |
| **Total Directors** | **296,250** | **20,000** | **-** | **23,375** | **-** | **-** | **339,525** | **7.46%** |

Notes to the tables of remuneration of key management personnel:

1. Non-Executive Directors' fees were decreased to $18,000 from $30,000 per annum (40% reduction) with effect from 1 April 2020 in response to the economic impact of the COVID-19 pandemic.
2. Mr Blau does not receive a fee for his appointment as a director of Collaborate as that appointment is in the context of his employment by SG Fleet. SG Fleet receives these fees as remuneration for Mr Blau's services.
3. Mr Hunter does not receive a fee for his appointment as a director of Collaborate as that appointment is in the context of his employment by Turners Automotive Group. Turners Automotive Group receives these fees as remuneration for Mr Hunter's services.
4. Appointed 10 December 2019
5. Appointed 1 October 2019
6. Mr Wundram is an Alternate Director to Mr Blau
7. Appointed 14 February 2019
8. Appointed 1 September 2018
9. Resigned 1 September 2018

**KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS**

(i) Fully paid ordinary shares

| Director | Held at 1 July 2019 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes/ Options conversions | Held at date of resignation | Held at 30 June 2020 |
|---|---|---|---|---|---|---|---|
| Mr Noone | 2,016,667 | N/A | 2,175,456 | - | - | N/A | 4,192,123 |
| Mr Abolakian[1] | - | N/A | 241,142,533 | - | - | N/A | 241,142,533 |
| Mr Blau[2] | N/A | - | - | - | - | N/A | - |
| Mr Bunter | 7,200,000 | N/A | 2,000,000 | - | - | N/A | 9,200,000 |
| Mr Hunter[3] | N/A | - | - | - | - | N/A | - |
| Ms Vanzella | - | N/A | - | - | | N/A | - |
| Mr Wundram[2] | N/A | - | - | - | - | N/A | - |

| Director | Held at 1 July 2018 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes/ Options conversions | Held at date of resignation | Held at 30 June 2019 |
|---|---|---|---|---|---|---|---|
| Mr Noone | 1,350,000 | N/A | 666,667 | - | - | N/A | 2,016,667 |
| Mr Abolakian[1] | N/A | - | - | - | | N/A | - |
| Mr Bunter | 5,200,000 | N/A | 2,000,000 | - | - | N/A | 7,200,000 |
| Ms Vanzella | N/A | - | - | - | | N/A | - |
| Mr Landau | - | N/A | - | - | - | - | N/A |

(ii) Share options

| Director | Held at 1 July 2019 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes/ Options conversions | Held at date of resignation | Held at 30 June 2020 |
|---|---|---|---|---|---|---|---|
| Mr Noone | 14,033,332 | N/A | 336,110 | - | (1,766,666) | N/A | 12,602,776 |
| Mr Abolakian[1] | - | N/A | 75,791,667 | - | - | N/A | 75,791,667 |
| Mr Blau[2] | N/A | - | - | - | - | N/A | - |
| Mr Bunter | 3,000,000 | N/A | 1,333,333 | - | - | N/A | 4,333,333 |
| Mr Hunter[3] | N/A | - | - | - | - | N/A | - |
| Ms Vanzella | - | N/A | - | - | - | N/A | - |
| Mr Wundram[2] | N/A | - | - | - | - | N/A | - |

| Director | Held at 1 July 2018 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes/ Options conversions | Held at date of resignation | Held at 30 June 2019 |
|---|---|---|---|---|---|---|---|
| Mr Noone | 16,800,000 | N/A | - | - | (2,766,668) | N/A | 14,033,332 |
| Mr Abolakian[1] | N/A | - | - | - | - | N/A | - |
| Mr Bunter | 5,500,000 | N/A | - | - | (2,500,000) | N/A | 3,000,000 |
| Ms Vanzella | N/A | - | - | - | - | N/A | - |
| Mr Landau | 3,000,000 | N/A | - | - | - | 3,000,000 | N/A |

Notes in relation to the tables of key management personnel equity holdings:

1. As at balance date, MNA Family Holdings Pty Ltd as trustee for Hishenk Pty Ltd Superannuation Fund held 6,562,500 Shares and 875,000 Unquoted Options in Collaborate. Mr Abolakian's parents are directors and shareholders of trustee and are beneficiaries of the superannuation fund.
2. As at balance date, SG Fleet Management Pty Limited, a subsidiary of SG Fleet Group Limited, held 157,144,197 Shares in Collaborate. Mr Blau is a director, shareholder and Chief Executive Officer of SG Fleet. Mr Wundram, Alternate Director for Mr Blau, is a director, shareholder and Chief Financial Officer of SG Fleet
3. As at balance date, Turners Automotive Group Limited held 125,000,000 Shares and 83,333,333 Unquoted Options in Collaborate. Mr Hunter is the CEO and a shareholder of Turners.

For Directors' interests in shares and options, as at date of this report, refer to page 5 of the Directors' Report.

**OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS**

*Related party transactions*

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

| | | Transactions value for the year | | Balance outstanding at 30 June | |
|---|---|---|---|---|---|
| Director | Transaction | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| Mr A Bunter | Taxation services[1] | 1,998 | 1,190 | 1,998 | - |
| Mr S Abolakian | Advance[2] | - | 150,000 | - | 150,000 |
| | Financing Facility[3] | - | 850,000 | 850,000 | 850,000 |
| | Interest payable[3] | 83,137 | 16,866 | 100,003 | 16,866 |

Notes in relation to the table of other key management personnel transactions:

1. A company associated with the spouse of Mr Bunter provided taxation services to the Company. The terms for such services were based on market rates, and amounts were payable on normal commercial terms.
2. An entity associated with Mr Abolakian, agreed to provide the Company an advance of $150,000 on a future equity raising. The Advance was unsecured and interest free. Refer to Note 14 for further details of the Advance.
3. An entity associated with Mr Abolakian agreed to provide a Financing Facility of up to $850,000 to the Company. The Financing Facility is unsecured, repayable by 1 October 2020 and is provided at a simple commercial interest rate of 12% per annum calculated based on amount drawn. With effect from 1 October 2019, the simple interest payable was reduced to 9% per annum. Refer to Note 14 for further details of the Financing Facility. Refer to Note 28 for details of terms renegotiated subsequent to balance date and offset of the Financing Facility against take up of entitlements under the 2020 Entitlement Issue.

*Other key management personnel transactions*

An entity associated with Mr Blau and Mr Wundram supplies vehicles to the Group's fleet. The Group acts as agent to administer the rental of or subscription for the use of cars and enforces contracts for the mutual benefit of owners, renters and subscribers. The terms for such services were based on market rates and terms and conditions similar to all fleet supply agreements, and amounts were payable by the renters and subscribers for use of the vehicles.

A company associated with Mr Hunter was provided platform development services by the Group. The Group provided services relating to the development and set up of a platform to offer car subscription services in New Zealand. The terms of such services were based on market rates, and amounts were payable on normal commercial terms.

There were no other key management personnel transactions during the 2020 or 2019 financial years.

**SHARE-BASED COMPENSATION**

There were no share-based remuneration transactions during the year.

*Modification of equity-settled share-based payment transactions*

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the Company during the financial year or the prior financial year.

Signed in accordance with a resolution of the Directors:

Chris Noone
*Chief Executive Officer/ Executive Director*

Dated at Sydney, New South Wales this 31st day of August 2020

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Collaborate Corporation Limited for the year 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 of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia**
**31 August 2020**

**N G Neill**
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Collaborate
CORPORATION LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## for the year ended 30 June 2020

| | Notes | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue from continuing operations | 2 | 1,196,203 | 1,034,212 |
| Cost of sales | | (610,739) | (552,388) |
| **Gross profit** | | 585,464 | 481,824 |
| Other income | 3 | 124,506 | - |
| Corporate and administrative expenses | 3 | (3,062,609) | (3,225,064) |
| Research and development expenses | | (939,882) | (444,468) |
| Impairment expense | 11 | (2,079,699) | - |
| **Results from continuing activities** | | (5,372,220) | (3,669,532) |
| Finance income | | 12,408 | 3,280 |
| Finance costs | | (84,515) | (35,540) |
| **Net financing costs** | | (72,107) | (32,260) |
| **Loss before income tax** | | (5,444,327) | (3,219,968) |
| Income tax benefit/(expense) | 4 | 74,042 | (15,784) |
| **Loss from continuing operations** | | **(5,370,285)** | **(3,235,752)** |
| **Total comprehensive loss for the period** | | **(5,370,285)** | **(3,235,752)** |
| Basic and diluted loss per share (cents) | 5 | (0.51) | (0.48) |

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

Collaborate
CORPORATION LIMITED

# STATEMENT OF FINANCIAL POSITION
## as at 30 June 2020

| | Notes | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | 1,433,953 | 1,246,590 |
| Trade and other receivables | 7 | 62,653 | 48,598 |
| Other current assets | 8 | 72,305 | 70,094 |
| **Total Current Assets** | | 1,568,911 | 1,365,282 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant & equipment | 9 | 21,854 | 26,130 |
| Right of use asset (Office lease) | 10(a) | 52,382 | 209,526 |
| Goodwill | 11 | - | 2,079,699 |
| Intangible assets | 11 | 13,136 | 65,249 |
| **Total Non-Current Assets** | | 87,372 | 2,380,604 |
| **TOTAL ASSETS** | | **1,656,283** | **3,745,886** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 702,863 | 890,810 |
| Lease liability | 10(b) | 56,622 | 165,007 |
| Other liabilities | 13 | 132,997 | 79,866 |
| Related party advance and borrowings | 14 | 850,000 | 1,000,000 |
| **Total Current Liabilities** | | 1,742,482 | 2,135,683 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liability | 10(b) | - | 56,622 |
| Other non-current liabilities | 13 | 41,231 | 50,060 |
| **Total Non-Current Liabilities** | | 41,231 | 106,682 |
| **TOTAL LIABILITIES** | | **1,783,713** | **2,242,365** |
| **NET ASSETS/(LIABILITIES)** | | **(127,430)** | **1,503,521** |
| **EQUITY** | | | |
| Issued capital | 15 | 16,751,048 | 33,694,524 |
| Reserves | 16 | 989,426 | 1,018,029 |
| Accumulated losses | 17 | (17,867,904) | (33,209,032) |
| **TOTAL EQUITY** | | **(127,430)** | **1,503,521** |

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

Collaborate
CORPORATION LIMITED

## STATEMENT OF CHANGES IN EQUITY
## for the year ended 30 June 2020

| Consolidated Group | Notes | Issued Capital $ | Reserves $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance as at 1 July 2018** | | 31,669,303 | 1,179,681 | (30,163,086) | 2,685,898 |
| Impact of adoption of AASB 16 | 17 | - | - | (8,599) | (8,599) |
| | | 31,669,303 | 1,179,681 | (30,171,685) | 2,677,299 |
| Loss for the period | | - | - | (3,235,752) | (3,235,752) |
| **Total comprehensive loss for the period** | | **-** | **-** | (3,235,752) | (3,235,752) |
| Issue of share capital | 15 | 2,267,847 | - | - | 2,267,847 |
| Share issue costs | 15 | (242,626) | - | - | (242,626) |
| Share-based payments | 16 | - | 36,753 | - | 36,753 |
| Transfer from reserves | 17 | - | (198,405) | 198,405 | - |
| **Balance as at 30 June 2019** | | **33,694,524** | **1,018,029** | **(33,209,032)** | **1,503,521** |
| **Balance as at 1 July 2019** | | 33,694,524 | 1,018,029 | (33,209,032) | 1,503,521 |
| Loss for the period | | - | - | (5,370,285) | (5,370,285) |
| **Total comprehensive loss for the period** | | - | - | (5,370,285) | (5,370,285) |
| Issue of share capital | 15, 17 | 3,915,219 | - | - | 3,915,219 |
| Share issue costs | 15 | (269,396) | - | 29,644 | (239,752) |
| Share-based payments | 16 | - | 63,867 | - | 63,867 |
| Transfer from reserves on conversion/lapsing | 15, 16, 17 | 23,373 | (92,470) | 69,097 | - |
| Capital adjustment under s258F | 15, 17 | (20,612,672) | - | 20,612,672 | - |
| **Balance as at 30 June 2020** | | **16,751,048** | **989,426** | **(17,867,904)** | **(127,430)** |

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

Collaborate CORPORATION LIMITED

# STATEMENT OF CASH FLOWS
## for the year ended 30 June 2020

| | Notes | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 3,052,338 | 2,713,413 |
| Payments to suppliers and employees | | (6,220,040) | (5,373,816) |
| Interest received | | 9,308 | 2,137 |
| Interest paid on lease liability | 10 | (9,793) | (15,266) |
| Payments for short term leases | 3 | (64,489) | (64,489) |
| Finance costs | | (1,901) | (1,902) |
| Government grants received | 3 | 102,500 | - |
| Research and development income tax incentive | | 74,055 | 325,259 |
| **Net cash used in operating activities** | **22** | **(3,058,022)** | **(2,414,664)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for intellectual property | | (4,401) | - |
| **Net cash used in investing activities** | | **(4,401)** | **-** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | 3,699,231 | 2,160,847 |
| Payment of share issue costs | | (271,827) | (125,818) |
| Proceeds from borrowings | | - | 1,000,000 |
| Payment of transaction costs for borrowings | | (12,611) | (23,329) |
| Payment of principal amounts on lease liability | 10 | (165,007) | (152,113) |
| **Net cash from/(used in) financing activities** | | **3,249,786** | **2,859,587** |
| | | | |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | 187,363 | 444,923 |
| | | | |
| **Cash and cash equivalents at the beginning of the financial year** | | 1,246,590 | 801,667 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | **6** | **1,433,953** | **1,246,590** |

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

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Reporting entity*

These consolidated financial statements of Collaborate Corporation Limited for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 31 August 2020.

Collaborate Corporation Limited (**Parent Entity**) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company for the year ended 30 June 2020 comprise the Company and its subsidiaries (**Consolidated Entity** or **Group**).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### *(b) Basis of preparation*

*Statement of compliance*

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (**AASBs**) and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**). The financial statements of the consolidated entity also comply with International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board.

*Basis of measurement*

The financial statements have been prepared on the accruals and the historical cost bases.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes the Group realising its assets and extinguishing its liabilities in the normal course of business. The Directors acknowledge that stakeholders may be concerned regarding the ability of the Group to continue as a going concern due to the Group having incurred a net loss during the financial year of $5,370,285 (2019: $3,235,752) and also having a net liability position of $127,430 (2019: net asset position of $1,503,521).

The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group held cash and cash equivalents of $1,433,953 as at 30 June 2020;
- The Directors remain committed to the long-term business plan, including ongoing review of current products and the potential introduction of new products that are anticipated to contribute to improved results as the business units progress;
- The budgets and forecasts reviewed by the Directors for the next twelve months anticipate the business will continue to produce improved results;
- The Group has demonstrated the ability to access various capital raising mechanisms as and when required. These capital funding mechanisms are available via existing shareholders of the Group as well as potential new shareholders. For example, the Group:
  - (a) raised $1,598,491 before costs (including offset of the $150,000 Advance) through a non-renounceable entitlement issue in August 2019, which was partly underwritten by existing shareholders and officers of the Company;
  - (b) raised a further $2,205,730 via an investment from a strategic investor in November 2019;
  - (c) raised $45,010 from the exercise of employee and unquoted options in November 2019 and January 2020; and
  - (d) on 31 August 2020 announced the intention to undertake a non-renounceable entitlement issue to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including offset of the $850,000 Financing Facility).

- The Group has access to a controlled placement facility with Acuity Capital for up to $3,000,000 of equity until July 2021.

The Directors believe that the above indicators demonstrate that the Group will be able to pay its debts as and when they become due and payable and to continue as a going concern. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the financial statements. Should the Group not be successful in generating sufficient funds from the above initiatives, there will exist a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

*Significant accounting policies*

Below are the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Group consisting of Collaborate Corporation Limited and its subsidiaries.

***(c) Significant accounting judgements, estimates and assumptions***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

*Estimation of impairment of goodwill*

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill is allocated. Key assumptions used in the value-in-use calculation are set out in Note 11.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining useful life. Depreciation charges are included in Note 9.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees and executives by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 18.

*Revenue from contracts with customers*

The Group applied the following judgements that affect the determination of the amount and timing of revenue from contracts with customers:

- *Principal versus agent considerations*

The Group acts as agent to administer the rental of cars (www.drivemycar.com.au). The Group's car subscription service (www.carly.co) provides subscribers access to the use of cars including a choice of options which may suit them in exchange for a subscription fee. These contracts are enforced for the mutual benefit of owners, renters, subscribers and the Group in creating a safe and trusted peer to peer community. The following factors indicate that the Group does not control the goods before they are transferred to customers and that it acts as agent in these contracts: (i) it does not assume inventory risk before or after the rental/subscription arrangement; (ii) does not have significant latitude in determining price of rental or subscription fees ( the consideration to the Group is based on the difference between the quoted rental /subscription fee based on market rates of cars for rent, their model and make and agreed prices negotiated by the Group with the owner of cars, vehicles or assets). All cars offered under the subscription options are based on agreed terms with owners.

- *Identifying performance obligations as a distinct service*

The Group's rendering of services according to terms of rental and subscription contracts form one distinct service. The provision of service arrangements for subscribers with varying options according to subscription tiers together form a distinct service within the terms of subscription agreements because subscribers are not able to benefit from the use of cars separately from these service options on their own.

- *Determining the timing of satisfaction of revenue from rental and car subscription services*

The Group concluded that revenue from arranging rental services and car subscription services is performed over-time because the customer benefits from the service over the period of the rental or subscription arrangement. Performance obligation of the Group is satisfied over-time because renters/subscribers simultaneously receive the benefits from their rental/subscription during the rental/subscription period.

*Provision for expected credit losses of trade receivables*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on a matrix which approximates expected credit loss based on management's assessment of probable default rates based on aging categories. The information about the expected credit loss on the Group's trade receivables is disclosed in Note 23(c) (ii).

*Leases (renewal of lease term)*

The Group entered into a non-cancellable 3-year lease for its office premises, with a 1-year option to renew on 1 November 2017. At initial application of AASB 16, management was not able to be sufficiently certain that the lease will be further renewed at the end of the lease term and accordingly determined the lease term as 3 years. The Group measures the right-of-use asset and lease liability for its office premises lease using a 4% discount rate (based on contractual annual rental rate increase).

*Coronavirus (COVID-19) pandemic*

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

***(d) Basis of consolidation***

The consolidated financial statements comprise the financial statements of the companies in the Group (as outlined in Note 25).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Collaborate are accounted for at cost in the separate financial statements of the Parent Entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the Parent Entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent Entity will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a bargain purchase.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Entity's share of components previously recognised in other comprehensive income to profit or loss.

***(e) Operating segments***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Board of Directors of Collaborate.

***(f) Foreign currency translation***

*Functional and presentation currency*

Both the functional and presentation currency of Collaborate and its Australian subsidiaries is Australian Dollars ($).

***(g) Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

***(h) Trade and other receivables***

Trade receivable are generally on 30-day terms. It represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. The Group's policies on impairment of trade and other receivables can be found in (w) below. Further disclosures relating to credit risk are in Note 23.

***(i) Plant and equipment***

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

| | |
|---|---|
| Property and equipment | over 2 to 5 years |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

***(j) Impairment of non-financial assets other than goodwill***

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 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 that 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 an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

***(k) Goodwill and intangible assets***

*Goodwill*

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with AASB 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

Collaborate performs annual impairment testing using the value-in-use methodology for the cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in Note 11.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

*Intangibles – acquired separately or in a business combination*

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

*Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount recognized for internally intangibles is the sum of the expenses incurred from the date when the intangible first meets the recognition criteria.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

| Policy | Domain names and trademarks | Development costs |
|---|---|---|
| Useful lives | Indefinite | Finite |
| Amortisation method used | No amortisation | Amortised over the period of expected future benefit from the related project on a straight-line basis |
| Internally generated or acquired | Acquired | Internally generated/Acquired |

| Policy | Domain names and trademarks | Development costs |
|---|---|---|
| Impairment testing | Annually and more frequently when an indication of impairment exists | Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end. |

Domain names and trademarks can be renewed for nominal value to maintain ownership, therefore domain names and trademarks are assumed to have an indefinite life. Domains acquired for a material sum are capitalised and tested for impairments as part of normal impairment testing. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Expenditures on advertising and promotional expenses are recognised as a component of marketing expense in the statement of profit or loss and other comprehensive income when the Group has either the right to access the goods or has received the services.

***(l) Trade and other payables***

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

***(m) Provisions and employee benefits***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

*Employee leave benefits*

- *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

- *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

***(n) Issued capital***

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

***(o) Share-based payments***

The Company measures the cost of equity-settled transactions with employees or executives by reference to the fair value of the equity instruments at the date at which they were issued.

***(p) Revenue from contracts with customers***

*Revenue from rendering services*
The Group's primary source of revenue is derived from providing online peer-to-peer marketplaces which makes it possible for individuals and companies to transact with each other for mutual benefit. Entities in the group operate trusted marketplaces (www.drivemycar.com.au and www.carly.co) which allow customers from the general public to rent vehicles or assets from owners who want to supply them. Based on the substance of the contracts, according to AASB 15, entities in the Group act as agents for owners, to provide customers with choice of vehicles for rent. Entities in the Group are appointed by owners to arrange and administer the rental of vehicles or assets over the rental period. The Group recognises revenue from amounts received from renters less amounts paid to owners. The performance obligation of the Group is satisfied over-time over the duration of the agreed rental period as renters receive the benefits from rental of vehicles. Revenue is recognised rateably over rental periods, billed at confirmation and at subsequent intervals for up to 3 to 5 weeks rental each time.
Similarly, the Groups' car subscription service (www.carly.co) provides customers with access to cars with varying options which could suit them. The subscription service includes varying free km allowance options, damage liability and eligible car 'switch' options packaged into a single monthly recurring payment. Subscribers may start and stop their subscription as their needs change. The Group concludes that it is acting as agent in these arrangements, because it administers the cars under subscription and provides service options according to pre-determined price and conditions negotiated with owners involved in these arrangements. The Group recognises revenue from amounts received from subscribers less amounts paid to owners. The performance obligation of the Group is satisfied over-time over the duration of the subscription period as subscribers receive the benefits from use of cars. Revenue is recognised rateably over subscription periods, billed at inception of subscription and subsequently thereafter every 15 days for 2 weeks subscription each time.

The accounting treatment described above is not materially impacted under the provisions of AASB 15. For disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers see Note 1 (c).

*Deposits from customers*
Renters are required to pay a deposit upon confirmation of rental. These deposits are refunded to renters at the end of the rental period when cars and assets are returned in accordance with rental agreements. No deposits are collected for car subscription services. 'Deposits held' are reflected in trade and other payables on the statement of financial position (see Note 12).

*Deferred revenue*
Deferred revenue consists of rental fees received in advance at confirmation which relate to future rental periods. The Group recognises these amounts as other liabilities on the statement of financial position (see Note 13).

***(q) Other revenue***

Interest income is recognised using the effective interest method.

***(r) Income tax***

Income tax benefit comprises current and deferred tax. Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Current income tax expense charged to profit or loss is the tax payable on the taxable income for the year, calculated using applicable income tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable/(receivable) in respect of previous years.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year.

Deferred income tax assets and liabilities are recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences in the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset and unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

*Tax Consolidation*

The Parent Entity and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Collaborate Corporation Limited.

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'separate taxpayer within Group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated Group and are recognised by the Parent Entity as amounts payable (receivable) to/(from) other entities in the tax-consolidated Group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Parent Entity as an equity contribution or distribution.

The Parent Entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

***(s) Goods and Services Tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

***(t) Earnings per share***

The consolidated Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Entity by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

***(u) Leases – right of use asset and lease liability***

A lease arrangement established by a contract conveys to the user (lessee) the right to control the use of the underlying asset for a period of time in exchange for consideration. For leases with terms not exceeding twelve months the Group has exercised the optional application exemptions. The lease payments under these contracts are recognised on a straight-line basis over the lease term as other operating expenses. The lessee is required to apply another systematic basis if that basis is more representative of the pattern of the lessee's benefit. In all other leases which the Group acts as lessee, the present value of future lease payments is recognised as a lease liability. Lease payments are segregated into principal and interest portions, using the effective interest method. Correspondingly, the right-to-use asset is recognised at the present value of liability including any directly attributable costs at the commencement date of the lease. Payments made before commencement date and incentives received from the lessor are included in the carrying amount of the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the lease term, or if shorter, over the useful life of the leased asset.

A lessee shall remeasure lease liability to reflect any reassessment or lease modifications. Reassessment of lease liability is required to reflect any changes to lease payments. A lessee recognises the amount of the remeasurement as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and a further reduction in the measurement of lease liability, a lessee recognises any remaining amount of the remeasurement in profit and loss. For lease modifications, a lessee shall account for it as a separate lease if the modification increases both the scope of the lease (by adding the right to use) and the consideration increase commensurate with the stand-alone price for the scope increase. If lease modification is not accounted for as a separate lease, remeasurement of lease liability is done at the effective date of the lease modification.

***(v) Borrowing costs***

Borrowing costs are expensed in the period they occur and consist of interest and other costs that the entity incurs in connection with the borrowing of funds

***(w) Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognises financial assets or liabilities when it becomes party to the contractual provisions of the financial instrument.

*Financial assets*

Financial assets of the Group are classified according to the Group's business model for managing financial assets and their contractual cash flow characteristics. Financial assets are measured at amortised costs if the business holds assets to collect contractual cash flows and contractual terms represent cash flows which are payments of principal and interest and not designated as fair value through profit and loss.

The Group initially recognises financial assets at its fair value plus, transaction cost (where applicable). For the purpose of subsequent measurement (other than those designated and effective as hedging instruments) financial assets are subsequently measured at amortised cost, fair value through profit or loss (FVPL), or fair value through other comprehensive income (FVOCI).

The new classification and measurement of the Group's financial assets which are held within a business model of 'hold to collect' contractual cash flows relate to the Group's trade and other receivables. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the asset. The Group considers if transfer of substantially all the risks and rewards of the asset has occurred or if transfer of control of the asset has occurred. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Impairment of financial asset*

The Group applied AASB 9 Financial Instruments' impairment model in its assessment of allowance for impairment loss on trade receivables. The Group applies an expected credit loss methodology (instead of the incurred loss prescribed in AASB 139) and uses a provisions matrix to estimate expected credit loss. The provision matrix is based on management's assessment of probable default rates based on ageing categories.

*Financial liability*

The Group's financial liabilities include trade and other payables and borrowings. All financial liabilities are initially recognised at fair value less any transaction costs directly attributable to its issue. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when liabilities are derecognised.

***(x) Comparative figures***

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year and impact, due to adoption of accounting standards described in (y) below.

***(y) Changes in accounting policies on initial application of Accounting Standards***

*Standards and Interpretations applicable to 30 June 2020*

Directors have reviewed and determined that there is no material impact of other new and revised Standards and Interpretations that apply for the first time for financial year ended 30 June 2020 on the consolidated financial statements of the Group.

The Group applied AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* from 1 July 2018.

*Standards and Interpretations issued but not yet adopted*

The Directors have also reviewed all Standards and Interpretations issued and not yet adopted for the year ended 30 June 2020. As a result of this review, the Directors have determined that there is no material impact of the new and revised standards and interpretations in issue not yet adopted and therefore no other material change is necessary to the Group's accounting policies.

**NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Group derives its revenue from the provision of services over time in the following major category. This is consistent with the revenue information that is disclosed for the reportable segment under AASB 8 (see Note 21).

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| *Over time* | **$** | **$** |
| Revenue from collaborative consumption activities | 1,196,203 | 1,034,212 |
| Total Revenue | **1,196,203** | **1,034,212** |

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| **NOTE 3: MATERIAL PROFIT AND LOSS ITEMS** | $ | $ |
| **(a) Other income** | | |
| Government grants (COVID-19 subsidies) | 102,500 | - |
| Sundry income | 22,006 | - |
| | **124,506** | **-** |
| **(b) Corporate and administrative expenses** | | |
| Depreciation | 10,611 | 16,063 |
| Depreciation (ROU asset) | 157,144 | 157,144 |
| Provision for expected credit loss | 92,918 | 66,008 |
| Amortisation | 57,990 | 7,511 |
| Short term lease payments | 70,207 | 64,489 |
| Share-based payments | 63,867 | 36,753 |
| Salaries and wages | 1,358,748 | 1,553,226 |
| Superannuation costs | 128,450 | 144,290 |
| Employee leave entitlements | 48,260 | (5,595) |
| Audit fees | 40,428 | 40,250 |
| Interest expense (lease liability) | 9,793 | 14,830 |
| Other corporate and administrative expenses | 1,024,193 | 1,130,095 |
| | **3,062,609** | **3,225,064** |

**NOTE 4: INCOME TAX**

| | 2020 | 2019 |
|---|---|---|
| **(a) Income tax benefit** | | |
| *The major components of income tax benefit are:* | | |
| Current income tax | | |
| Current R&D Tax offset | - | - |
| Under/(over) provision in prior year | 74,042 | (15,784) |
| Income tax benefit/(expense) | **74,042** | **(15,784)** |
| **(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:** | | |
| Accounting loss before income tax | (5,444,327) | (3,219,968) |
| Income tax expense calculated at 27.5% (2018: 27.5%) | (1,497,190) | (885,491) |
| *Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:* | | |
| Non-deductible expenses | 305,243 | 147,426 |
| Share-based payments | 17,563 | 10,107 |
| Impairment of goodwill | 571,918 | - |
| Other deferred tax assets and tax liabilities not recognised | 602,466 | 727,958 |
| (Under)/over provision in prior year | (74,042) | 15,784 |
| Total Income tax (benefit)/expense for the year | **(74,042)** | **15,784** |

| NOTE 4: INCOME TAX | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| **(c) Unrecognised deferred tax balances** | | |
| *The following deferred tax assets have not been brought to account*: | | |
| Losses available for offset against future taxable income | 3,223,705 | 2,621,239 |
| Accrued expenses and liabilities | 80,853 | 91,830 |
| Unrecognised deferred tax assets | **3,304,558** | **2,713,069** |

Deferred tax assets arising from tax losses are, to the extent noted above, not recognised at reporting date as realisation of the benefit is not regarded as probable. This deferred income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation is complied with, including Continuity of Ownership and/or Same Business Tests; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

**(d) Tax rates**

The potential tax benefit at 30 June 2020 in respect of tax losses not brought to account has been calculated at 27.5% for Australian entities (2019: 27.5%). There has been no change in this tax rate since the previous reporting period.

**NOTE 5: LOSS PER SHARE**

**Basic earnings per share**

The calculation of basic earnings per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of $5,370,285 (2020: $3,235,752) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2020 of 1,044,894,466 (2019: 672,132,580) calculated as follows:

| **Loss attributable to ordinary shareholders (basic)** | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Loss attributable to the ordinary shareholders | (5,370,285) | (3,235,752) |
| | **2020 Number** | **2019 Number** |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,044,894,466 | 672,132,580 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,044,894,466 | 672,132,580 |
| | **2020** | **2019** |
| Basic and diluted loss per share from continuing operations (cents per share) | (0.51) | (0.48) |

| NOTE 6: CASH AND CASH EQUIVALENTS | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Cash at bank and on hand | 1,433,953 | 1,246,590 |
| | **1,433,953** | **1,246,590** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

## NOTE 7: TRADE AND OTHER RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| **Current** | | |
| Trade receivables (net) | 62,646 | 32,728 |
| Other receivables | 7 | 15,870 |
| | **62,653** | **48,598** |

The Group's exposure to credit risk and impairment losses relating to trade and other receivables is disclosed in Note 23.

## NOTE 8: OTHER ASSETS

| | 2020 | 2019 |
|---|---|---|
| **Current** | | |
| Prepayments | 2,448 | 1,458 |
| Rental Deposit | 52,107 | 50,886 |
| Other deposits | 17,750 | 17,750 |
| | **72,305** | **70,094** |

| NOTE 9: PROPERTY, PLANT AND EQUIPMENT | Consolidated Group Furniture and Fittings $ | Leasehold Improvements $ | Total $ |
|---|---|---|---|
| Cost | 61,999 | 41,874 | 103,873 |
| Accumulated depreciation | (53,152) | (28,867) | (82,019) |
| **Net book value at 30 June 2020** | **8,847** | **13,007** | **21,854** |
| Cost | 55,664 | 41,874 | 97,538 |
| Accumulated depreciation | (46,876) | (24,532) | (71,408) |
| **Net book value at 30 June 2019** | **8,788** | **17,342** | **26,130** |

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)**

The reconciliation of the carrying amounts of each class of property, plant and equipment and leasehold improvements at the beginning and the end of the reporting period:

| | Consolidated Group | | |
|---|---|---|---|
| | Furniture and Fittings $ | Leasehold Improvements $ | Total $ |
| **2020** | | | |
| Opening net book value at 1 July 2019 | 8,788 | 17,342 | 26,130 |
| Additions during the year | 6,335 | - | 6,335 |
| Depreciation expense | (6,276) | (4,335) | (10,611) |
| **Closing net book value at 30 June 2020** | **8,847** | **13,007** | **21,854** |
| | | | |
| **2019** | | | |
| Opening net book value at 1 July 2018 | 19,070 | 23,123 | 42,193 |
| Depreciation expense | (10,282) | (5,781) | (16,063) |
| **Closing net book value at 30 June 2019** | **8,788** | **17,342** | **26,130** |

There was no impairment loss relating to property, plant and equipment during the 2020 financial year (2019: nil).

**NOTE 10: LEASES**

The Consolidated Group measures the right-of-use asset and lease liability for the lease on office premises using a 4% discount rate (based on contractual rental increase rate) over a 3-year lease term. In the current period, total cash outflows for leases in the 2020 financial year was $174,800 (2019: $167,379).

| | Consolidated Group | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **(a) Right of use asset – office lease** | | |
| Balance at beginning of period | 209,526 | 366,670 |
| Depreciation charge for the period | (157,144) | (157,144) |
| **Balance at end of period** | **52,382** | **209,526** |
| | | |
| **(b) Lease liability – office lease** | | |
| Current | 56,622 | 165,007 |
| Non-Current | - | 56,622 |
| | **56,622** | **221,629** |
| | | |
| **(c) Amounts recognised in profit or loss – office lease** | | |
| Interest on lease liabilities | 9,792 | 14,830 |
| Depreciation on right-of-use assets | 157,144 | 157,144 |

The Group applies the practical expedient in AASB 16 Appendix C, C10 which allows the Group to account for the warehouse lease in the same way as short-term leases. The Group recognised $64,427 of leasing expense in the current period in relation to the warehouse premises (2019: $64,489).

## NOTE 11: GOODWILL AND INTANGIBLE ASSETS

The reconciliation of the carrying amounts of goodwill and each class of intangibles at the beginning and the end of the reporting period:

| | Consolidated Group | | | |
|---|---|---|---|---|
| | Software Development and Domain costs<br>$ | Trademarks<br>$ | Goodwill<br>$ | Total<br>$ |
| Cost | 728,849 | 13,136 | 2,079,699 | 2,821,684 |
| Accumulated amortisation | (728,849) | - | - | (728,849) |
| Accumulated impairment losses | - | - | (2,079,699) | (2,079,699) |
| **Carrying value at 30 June 2020** | **-** | **13,136** | **-** | **13,136** |
| | | | | |
| Cost | 728,849 | 7,259 | 2,079,699 | 2,815,807 |
| Accumulated amortisation | (670,859) | - | - | (670,859) |
| **Carrying value at 30 June 2019** | **57,990** | **7,259** | **2,079,699** | **2,144,948** |
| | | | | |
| **2020** | | | | |
| Carrying value at 1 July 2019 | 57,990 | 7,259 | 2,079,699 | 2,144,948 |
| Additions | - | 5,877 | - | 5,877 |
| Amortisation charge | (57,990) | - | - | (57,990) |
| Impairment loss | - | - | (2,079,699) | (2,079,699) |
| **Carrying value at 30 June 2020** | **-** | **13,136** | **-** | **13,136** |
| | | | | |
| **2019** | | | | |
| Carrying value at 1 July 2018 | 65,501 | 5,169 | 2,079,699 | 2,150,369 |
| Additions | - | 2,090 | - | 2,090 |
| Amortisation charge | (7,511) | - | - | (7,511) |
| **Carrying value at 30 June 2019** | **57,990** | **7,259** | **2,079,699** | **2,144,948** |

**(a) Description of the Group's intangible assets and goodwill**

*(i) Software Development and Domain costs*

Software development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The Group's software development costs include DriveMyCar and MyCaravan's software development intangible assets acquired as part of the acquisition of DriveMyCar and MyCaravan in financial years ended 2014 and 2015. DriveMyCar's software development intangible assets were assessed with a fair value of $250,000 with a finite life of 2.5 years and MyCaravan's software development intangible assets with fair value of $120,167 and a finite life of 4 years. These were amortised using the straight-line method over the finite life period. DriveMyCar's software development intangible assets remaining value of $57,990 was fully amortised in the 2020 financial year in line with the assessment of the carrying value of goodwill at balance date set out below. MyCaravan's software development intangible assets remaining value of $7,511 was fully amortised in the 2019 financial year. The amortisation has been recognised in the statement of profit or loss and other comprehensive income in the line item "corporate and administrative expenses".

*(ii) Trademarks*

Trademarks were acquired through acquisition and are carried at cost less accumulated impairment losses. This intangible asset has been assessed as having an infinite life and therefore is not amortised however is subject to impairment testing on an annual basis or whenever there is an indication of impairment. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

**NOTE 11: GOODWILL AND INTANGIBLE ASSETS (continued)**

*(iii) Goodwill*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (b) of this Note 11).

**(b) Impairment tests for goodwill**

Goodwill acquired through business combinations and patents and licences had been allocated to a single cash generating unit (CGU) for impairment testing.

The Directors assessed the carrying value of goodwill at balance date. Although the Directors are of the opinion that the intangible assets associated with the DriveMyCar business continue to have value and provide the online marketplace for operations under both DriveMyCar and Carly Car Subscription notwithstanding ongoing losses being incurred, the ongoing uncertain economic environment makes it difficult to reasonably forecast revenues associated with the platform, particularly in the long term.

As a result, an impairment loss of $2,079,699 was recognised in relation to the carrying value of goodwill acquired on the acquisition of the DriveMyCar business in the 2020 financial year.

No impairment loss was recognised in the 2019 financial year.

Carrying amount of goodwill and other identifiable intangibles allocated to the cash generating units are as follows:

| | Collaborative Consumption | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Carrying amount of trademarks | 13,136 | 7,259 |
| Carrying amount of domain names | - | 46,944 |
| Carrying amount of software development costs | - | 11,046 |
| Carrying amount of goodwill | - | 2,079,699 |
| Total intangibles | **13,136** | **2,144,948** |

**NOTE 12: TRADE AND OTHER PAYABLES**

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Trade creditors [1] | 190,620 | 284,287 |
| Deposits held [2] | 69,439 | 111,386 |
| Other creditors and accruals [3] | 342,801 | 478,271 |
| Interest payable [4] | 100,003 | 16,866 |
| | **702,863** | **890,810** |

Notes:

1. Trade creditors are non-interest bearing and are normally settled on 60-day terms.
2. Deposits held being amounts owing to renters.
3. Accruals include amounts owing to directors for fees.
4. Interest is payable on the Financing Facility from a related party (refer Note 14 and Note 19).

The Company's exposure to liquidity risk relating to trade and other payables are disclosed in Note 23.

| NOTE 13: OTHER LIABILITIES | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| **Current** | | |
| Provision for annual leave | 105,263 | 69,402 |
| Provision for long service leave [1] | 21,228 | - |
| Deferred revenue | 6,506 | 10,464 |
| | **132,997** | **79,866** |
| **Non-Current** | | |
| Provision for long service leave [1] | 41,231 | 50,060 |
| | **41,231** | **50,060** |

Note:

1. A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of the provision, the probability of long service leave being taken is based on managements' expectations of employee retention.

**NOTE 14: RELATED PARTY ADVANCE AND BORROWINGS**

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current** | | |
| Advance | - | 150,000 |
| Financing Facility | 850,000 | 850,000 |
| | **850,000** | **1,000,000** |

The Advance and Financing Facility were provided by Hishenk Pty. Ltd. (**Hishenk**). Hishenk is a related party of the Company by virtue of Mr Abolakian's father being sole director and both his parents being shareholders of Hishenk.

On 16 July 2019, the Financing Facility and Advance were novated from Hishenk to Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (**Willoughby Capital**) following an internal restructure of the Abolakian family assets. Willoughby Capital is also a related party of the Company by virtue of Mr Abolakian being a potential beneficiary of the trust.

**Terms of the Advance**

The Advance was unsecured and interest free and provided to the Company as an advance on equity raising funds.

On 22 July 2019, Willoughby Capital agreed to underwrite up to $1,150,000 of the non-renounceable entitlement issue of shares and free-attaching options to raise up to $2,061,358 (**2019 Entitlement Issue**), including take up of $150,000 of entitlements by offset of the Advance. Refer to Note 15 for details of offset of the Advance against entitlements of Willoughby Capital upon completion of the 2019 Entitlement Issue on 27 August 2019.

**Terms of the Financing Facility**

The Financing Facility is unsecured and is provided at a simple commercial interest rate of 12% per annum calculated based on amount drawn. With effect from 1 October 2019, the simple interest payable was agreed to be reduced to 9% per annum. Refer to Note 12 for details of the interest payable on the Financing Facility.

## NOTE 14: RELATED PARTY ADVANCE AND BORROWINGS (continued)

**Terms of the Financing Facility (continued)**

During the year, the Company negotiated to extend the repayment date of the Financing Facility as follows:

(a) on 16 July 2019, from 30 September 2019 to 31 March 2020;
(b) on 31 March 2020, from 31 March 2020 to 1 July 2020; and
(c) on 30 June 2020, from 1 July 2020 to 1 October 2020.

At the election of Willoughby Capital and subject to the receipt of all necessary regulatory approvals, any amounts drawn down by the Company under the Financing Facility may be converted into equity at the price of a future equity raising by the Company.

If Willoughby Capital does not make a conversion election or shareholder approval is not granted, amounts drawn under the Financing Facility are repayable on the earlier of:

(i) 1 October 2020; or

(ii) ten (10) business days after the Company's shareholders fail to approve any resolution enabling the amounts drawn down by the Company under the Financing Facility to be offset against a subscription for fully paid ordinary shares in Collaborate; or

(iii) ten (10) business days after the Company raises at least $3,000,000 pursuant to an equity raising.

The Financing Facility is not subject to any covenants.

Refer to Note 28 for details of variation of terms negotiated subsequent to balance date and offset of the Financing Facility against take up of entitlements under the 2020 Entitlement Issue.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23. The repayment profile and contractual cashflows of the Financing Facility are disclosed in Note 23(d).

## NOTE 15: ISSUED CAPITAL

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| 1,151,752,495 (2019: 824,543,303) fully paid ordinary shares | **16,751,048** | **33,694,524** |

**(a) Ordinary shares**

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

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**NOTE 15: ISSUED CAPITAL (continued)**

**(a) Ordinary shares (continued)**

The following movements in issued capital occurred during the year:

| | Year to 30 June 2020 | | Year to 30 June 2019 | |
|---|---|---|---|---|
| | Number of Shares | $ | Number of Shares | $ |
| Balance at beginning of financial period | 824,543,303 | 33,694,524 | 619,117,857 | 31,669,303 |
| Issue of shares at $0.01 each: 2019 Entitlement issue, including offset of Advance of $150,000 | 159,849,080 | 1,598,491 | - | - |
| Issue of shares at $0.008 each in lieu of cash payment for fees | 3,196,982 | 25,576 | - | - |
| Issue of shares at $0.01 each: shortfall from 2019 Entitlement Issue | 46,286,518 | 462,865 | - | - |
| Issue of shares at $0.016 each: placement | 80,000,000 | 1,280,000 | - | - |
| Issue of shares at $0.016 each in lieu of cash payment for fees | 2,525,730 | 40,412 | - | - |
| Issue of shares at $0.015 each: conversion of Unquoted Options | 30,873,246 | 463,099 | - | - |
| Issue of shares at $0.01 each: conversion of employee options | 4,477,636 | 44,776 | - | - |
| Transfer from share-based payment reserve on conversion of employee options | - | 23,373 | - | - |
| Issue of shares at $0.015 each: 2018 Entitlement Issue | - | - | 77,389,732 | 1,160,846 |
| Issue of collateral shares pursuant to CPD[1] | - | - | 20,000,000 | - |
| Issue of shares at $0.015 each: set up fee for CPD[2] | - | - | 2,500,000 | 37,500 |
| Issue of shares at $0.014 each in lieu of cash payment for fees | - | - | 3,535,714 | 49,500 |
| Issue of shares at $0.01 each: placement | - | - | 100,000,000 | 1,000,000 |
| Issue of shares at $0.01 each: corporate adviser fee for placement | - | - | 2,000,000 | 20,000 |
| *Less:* transaction costs arising from share issues | - | (269,396) | - | (242,625) |
| *Less:* capital reduction under s258F [3] | - | (20,612,672) | - | - |
| Balance at end of financial period | **1,151,752,495** | **16,751,048** | **824,543,303** | **33,694,524** |

Notes:

1. The 20,000,000 collateral Shares were issued pursuant to the controlled placement deed (**CPD**) with Acuity Capital, as announced to ASX on 10 January 2019. The CPD provides Collaborate with a placement facility of up to $3 million over a 30-month period. Under the terms of the CPD, Collaborate retains full control of all aspects of initiating the placement process, where Collaborate has sole discretion as to whether or not to utilise the CPD, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no obligations on Collaborate to utilise the CPD and Collaborate may terminate the CPD at any time with 5 Business Days' notice, without cost or penalty. Acuity Capital and the CPD do not place any restrictions at any time on Collaborate raising capital through other methods.
2. Collaborate and Acuity Capital agreed to a one-off issue of 2,500,000 Shares in consideration for entering into the CPD. There were no other establishment or placement fees required to be paid to Acuity Capital.
3. The Company reduced the balance of issued capital and accumulated losses by an equal amount pursuant to section 258F of the Corporations Act. The capital reduction is not inconsistent with the accounting standards and did not impact the net assets, financial results, cash flow, funding of the Group, available tax losses or the number of shares issued. Refer to Note 17 for further details.

**NOTE 15: ISSUED CAPITAL (continued)**

**(b) Options**

The following options were exercised during the year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Unquoted Options | 18 December 2020 | $0.0150 | 30,873,246 |
| Employee Options | 2 September 2022 | $0.0100 | 4,477,636 |

The following options were issued during the year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Unquoted Options | 18 December 2020 | $0.0150 | 204,090,352 |
| Employee Options | 2 September 2022 | $0.0100 | 7,359,602 |
| Employee Options | 1 December 2022 | $0.0188 | 611,528 |
| Employee Options | 1 January 2023 | $0.0200 | 349,508 |
| Employee Options | 16 March 2023 | $0.0100 | 1,500,000 |
| Employee Options | 11 May 2023 | $0.0100 | 3,000,000 |

The following options expired during the financial year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2019 | $0.0223 | 1,634,797 |
| Executive A Options | 28 November 2019 | $0.0198 | 883,333 |
| Executive B Options | 28 November 2019 | $0.0298 | 883,333 |
| Employee Options | 1 March 2020 | $0.0248 | 316,622 |
| New A Options | 24 April 2020 | $0.0310 | 8,333,333 |
| New B Options | 24 April 2020 | $0.0500 | 3,333,333 |
| Management options | 1 May 2020 | $0.0358 | 1,000,000 |

The following options lapsed in accordance with the terms of the Company's Incentive Option Plan during the financial year:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2020 | $0.0386 | 326,498 |
| Employee Options | 3 September 2021 | $0.0211 | 324,545 |
| Employee Options | 1 October 2021 | $0.0188 | 318,272 |
| Employee Options | 1 June 2022 | $0.0100 | 140,074 |
| Employee Options | 2 September 2022 | $0.0100 | 1,131,425 |
| Employee Options | 1 December 2022 | $0.0188 | 611,528 |

**NOTE 15: ISSUED CAPITAL (continued)**

**(b) Options (continued)**

At 30 June 2020, unissued ordinary shares of the Company under option were as follows:

| Class | Expiry Date | Exercise Price | Number of Options |
|---|---|---|---|
| Employee Options | 1 September 2020 | $0.0386 | 2,081,796 |
| Executive A Options | 28 November 2020 | $0.0198 | 883,333 |
| Executive B Options | 28 November 2020 | $0.0298 | 883,333 |
| Officer A Options | 23 November 2020 | $0.0494 | 7,000,000 |
| Officer B Options | 23 November 2020 | $0.0792 | 10,500,000 |
| Unquoted Options | 18 December 2020 | $0.0150 | 173,217,106 |
| Employee Options | 3 September 2021 | $0.0211 | 1,940,111 |
| Employee Options | 1 February 2022 | $0.0163 | 260,031 |
| Employee Options | 7 May 2022 | $0.0125 | 1,000,000 |
| Employee Options | 7 May 2022 | $0.0150 | 1,000,000 |
| Employee Options | 2 September 2022 | $0.0100 | 1,750,541 |
| Employee Options | 1 January 2023 | $0.0200 | 349,508 |
| Employee Options | 16 March 2023 | $0.0100 | 1,500,000 |
| Employee Options | 11 May 2023 | $0.0100 | 3,000,000 |

None of these options are quoted.

**(c) Capital management**

The Group's objectives when managing capital are disclosed in Note 24.

**NOTE 16: SHARE-BASED PAYMENT RESERVES**

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| Balance at beginning of the year | 1,018,029 | 1,179,681 |
| Options issued | 63,867 | 36,753 |
| Transfer to accumulated losses (options lapsed and expired) | (69,097) | (198,405) |
| Transfer to issued capital (options exercised) | (23,373) | - |
| Balance at the end of the year | **989,426** | **1,018,029** |

**Nature and purpose of reserves**

*Share-based payment reserve*

This reserve records the value of options issued including the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 18 for further details of these grants.

| NOTE 17: ACCUMULATED LOSSES | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Reconciliation of movements in accumulated losses: | | |
| Accumulated losses at beginning of the year | (33,209,032) | (30,163,086) |
| Adjustments (adoption of AASB 16 Leases) [1] | - | (8,599) |
| Capital reduction under s258F [2] | 20,612,672 | - |
| | (12,596,360) | (30,171,685) |
| Transfer from reserves | 69,097 | 198,405 |
| Transfer to share issue costs | 29,644 | - |
| Loss for the period | (5,370,285) | (3,235,752) |
| Accumulated losses at end of the period | **(17,867,904)** | **(33,209,032)** |
| 1. Reconciliation of adjustments upon adoption of AASB 16 Impact due to early adoption of standard | | |
| Recognition of ROU asset and lease liability at adoption | - | 97,690 |
| Cumulative effect on RE for ROU depreciation from commencement till initial application | - | (104,763) |
| Recognition of interest expense on lease liability owing at initial application | - | (1,526) |
| | **-** | **(8,599)** |

2. The balance of accumulated losses as at 30 June 2020 included issued capital that had been lost or is not represented by available assets. In accordance with section 258F of the Corporations Act, the Company reduced its paid up issued capital balance by $20,612,672 with an equal reduction of the accumulated losses balance. There is no impact on shareholders from the capital reduction as no shares will be cancelled or rights varied. Similarly, creditors are not affected as there will be no change in available assets. There is also no impact on the availability of the Company's tax losses from this capital reduction.

**NOTE 18: SHARE-BASED PAYMENTS**

During the year, the Company granted a total of 12,820,638 options to employees under the Incentive Option Plan approved by shareholders on 19 November 2018 (**Employee Options**).

Set out below are summaries of options granted to employees and vested during the year:

| Grant Date | Expiry Date | Exercise Price $ | Balance at the start of the year | Granted | Exercised/ Lapsed | Vested | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 02-Sep-19 | 2-Sep-22 | 0.0100 | - | 7,359,602 | (5,609,061) | 1,750,541 | 1,750,541 |
| 28-Jan-20 | 1-Dec-22 | 0.0200 | - | 611,528 | (611,528) | - | - |
| 28-Jan-20 | 1-Jan-23 | 0.0188 | - | 349,508 | - | 349,508 | 349,508 |
| 29-May-20 | 16-Mar-23 | 0.0100 | | 1,500,000 | - | 1,500,000 | 1,500,000 |
| 29-May-20 | 11-May-23 | 0.0100 | - | 3,000,000 | - | 3,000,000 | 3,000,000 |

**NOTE 18: SHARE-BASED PAYMENTS (continued)**

The fair value of the equity-settled share options granted under the Employee Incentive Plan are estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. The valuation model inputs used to determine the fair value at grant dates are outlined below:

| Grant Date | Expiry Date | Share Price at Grant Date $ | Exercise Price $ | Expected Volatility | Dividend Yield | Risk-Free Interest Rate | Fair Value at Grant Date $ |
|---|---|---|---|---|---|---|---|
| 02-Sep-19 | 2-Sep-22 | 0.008 | 0.0100 | 116% | 0.00% | 0.69% | 38,417 |
| 28-Jan-20 | 1-Dec-22 | 0.015 | 0.0188 | 141% | 0.00% | 0.69% | 6,793 |
| 28-Jan-20 | 1-Jan-23 | 0.016 | 0.0200 | 139% | 0.00% | 0.88% | 4,184 |
| 29-May-20 | 16-Mar-23 | 0.008 | 0.0100 | 131% | 0.00% | 0.45% | 8,366 |
| 29-May-20 | 11-May-23 | 0.008 | 0.0100 | 151% | 0.00% | 0.24% | 18,806 |
| | | | | | | | **76,566** |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The following options granted to executives and employees expired and lapsed during the financial year:

| Options | Grant Date | Expiry Date | Exercise Price $ | Number Expired | Number Lapsed |
|---|---|---|---|---|---|
| Employee Options | 1-Sep-16 | 1-Sep-19 | 0.0223 | (1,634,797) | - |
| Executive A Options | 28-Nov-14 | 28-Nov-19 | 0.0198 | (883,333) | - |
| Executive B Options | 28-Nov-14 | 28-Nov-19 | 0.0298 | (883,333) | - |
| Employee Options | 1-Mar-17 | 1-Mar-20 | 0.0248 | (316,622) | - |
| Management options | 1-May-17 | 1-May-20 | 0.0358 | (1,000,000) | - |
| Employee Options | 1-Sep-17 | 1-Sep-20 | 0.0386 | - | (326,498) |
| Employee Options | 3-Sep-18 | 3-Sep-21 | 0.0211 | - | (324,545) |
| Employee Options | 31-May-19 | 1-Jun-22 | 0.0100 | - | (140,074) |
| Employee Options | 2-Sep-19 | 2-Sep-22 | 0.0100 | - | (1,131,425) |
| Employee Options | 30-Oct-18 | 1-Oct-21 | 0.0188 | - | (318,272) |
| Employee Options | 28-Jan-20 | 1-Dec-22 | 0.0188 | - | (611,528) |

**NOTE 18: SHARE-BASED PAYMENTS (continued)**

**Movements during the year**

The following table illustrates the number and weighted average exercise prices of and movements in options issued during the year:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Number** | **WAEP $** | **Number** | **WAEP $** |
| Outstanding at the beginning of year | 31,376,078 | 0.0453 | 35,335,648 | 0.0492 |
| Options granted | | | | |
| Employee Options | 7,359,602 | 0.01 | 2,719,214 | 0.0211 |
| Employee Options | 611,528 | 0.02 | 318,271 | 0.0188 |
| Employee Options | 349,508 | 0.0188 | 260,030 | 0.0163 |
| Employee Options | 1,500,000 | 0.01 | 1,000,000 | 0.0125 |
| Employee Options | 3,000,000 | 0.01 | 1,000,000 | 0.0150 |
| Employee Options | - | - | 140,074 | 0.0100 |
| Options exercised | | | | |
| Employee Options | (4,477,636) | 0.01 | - | - |
| Forfeited/Lapsed during the year | | | | |
| Employee Options | (326,498) | 0.0386 | (159,272) | 0.0398 |
| Employee Options | (324,545) | 0.0211 | (516,660) | 0.0386 |
| Employee Options | (140,074) | 0.01 | (454,558) | 0.0211 |
| Employee Options | (1,131,425) | 0.01 | - | - |
| Employee Options | (318,272) | 0.0188 | - | - |
| Employee Options | (611,528) | 0.0188 | - | - |
| Expired during the year | | | | |
| Employee Options | (1,634,797) | 0.0223 | - | - |
| Employee Options | (316,622) | 0.0248 | - | - |
| Management Options | (1,000,000) | 0.0358 | - | - |
| Executive A Options | (883,333) | 0.0198 | (383,334) | 0.0198 |
| Executive B Options | (883,333) | 0.0298 | (883,334) | 0.0298 |
| Director Options | - | - | (2,000,000) | 0.0298 |
| Officer Options | - | - | (5,000,000) | 0.0348 |
| Outstanding at the end of year | **32,148,653** | 0.0449 | **31,376,078** | 0.0453 |
| Exercisable at the end of year | 32,148,653 | 0.0449 | 31,376,078 | 0.0453 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.99 years (2019: 1.25 years).

**Modifications of equity-settled share-based payment transactions**

No terms of equity-settled share-based payment transactions have been altered or modified by the Company during the 2020 financial year or 2019 financial year.

## NOTE 19: RELATED PARTY DISCLOSURES

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| **(a) Key management personnel compensation** | | |
| Short-term benefits | 337,780 | 316,250 |
| Post-employment benefits | 20,482 | 23,275 |
| Share-based payment | - | - |
| **Total compensation** | **358,262** | **339,525** |

Note:

Non-Executive Directors' fees were decreased to $18,000 from $30,000 per annum (40% reduction) with effect from 15 April 2020 in response to the economic impact of the COVID-19 pandemic.

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 26.

**(b) Other key management personnel transactions**

*Related party transactions*

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

| | | Transactions value for the year | | Balance outstanding at 30 June | |
|---|---|---|---|---|---|
| **Director** | **Transaction** | **2020 $** | **2019 $** | **2020 $** | **2019 $** |
| Mr A Bunter | Taxation services[1] | 1,998 | 1,190 | 1,998 | - |
| Mr S Abolakian | Advance[2] | - | 150,000 | - | 150,000 |
| | Financing Facility[3] | - | 850,000 | 850,000 | 850,000 |
| | Interest payable[3] | 83,137 | 16,866 | 100,003 | 16,866 |

*Notes in relation to the table of other key management personnel transactions*

1. A company associated with the spouse of Mr Bunter provided taxation services to the Company. The terms for such services were based on market rates, and amounts were payable on normal commercial terms.
2. An entity associated with Mr Abolakian, agreed to provide the Company an advance of $150,000 on a future equity raising. The Advance was unsecured and interest free. Refer to Note 14 for further details of the Advance.
3. An entity associated with Mr Abolakian agreed to provide a Financing Facility of up to $850,000 to the Company. The Financing Facility is unsecured, repayable by 1 October 2020 and is provided at a simple commercial interest rate of 12% per annum calculated based on amount drawn. With effect from 1 October 2019, the simple interest payable was reduced to 9% per annum. Refer to Note 14 for further details of the Financing Facility. Refer to Note 28 for details of terms renegotiated subsequent to balance date and offset of the Financing Facility against take up of entitlements under the 2020 Entitlement Issue.

## NOTE 19: RELATED PARTY DISCLOSURES (continued)

### (b) Other key management personnel transactions (continued)

*Other key management personnel transactions*

An entity associated with Messrs Blau and Wundram supplies vehicles to the Group's fleet. The Group acts as agent to administer the rental of or subscription for the use of cars and enforces contracts for the mutual benefit of owners, renters and subscribers. The terms for such services were based on market rates and terms and conditions similar to all fleet supply agreements, and amounts were payable by the renters and subscribers for use of the vehicles.

A company associated with Mr Hunter was provided platform development services by the Group. The Group provided services relating to the development and set up of a platform to offer car subscription services in New Zealand. The terms of such services were based on market rates, and amounts were payable on normal commercial terms.

There are no other key management personnel transactions during the 2020 or 2019 financial years.

### (c) Transactions with subsidiaries

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Details of transactions between the Group and other related entities are disclosed below:

*Loans to related parties*

Loans are made by the Parent Entity, Collaborate Corporation Limited, to its wholly owned subsidiaries for capital purchases and working capital purposes. The loans outstanding between the Parent Entity and its subsidiaries have no fixed date of repayment and are non-interest bearing. Details of the Parent Entity's interest in its subsidiaries are set out in Note 25.

| | Parent Entity | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Non-Current** | | |
| Loans to subsidiaries | 7,419,154 | 8,322,369 |
| Impairment losses | (7,419,154) | (8,322,369) |
| Carrying value of loans to subsidiaries | - | - |

The Parent Entity has recognised impairment losses in relation to loans to subsidiaries. Refer to Note 26 for further information.

No dividends were received from the subsidiaries in the 2020 or 2019 financial years.

## NOTE 20: COMMITMENTS AND CONTINGENCIES

### (a) Commitments

The Group does not have any commitments at reporting date.

### (b) Contingencies

The Group does not have any contingent liabilities at reporting date.

## NOTE 21: SEGMENT INFORMATION

The Group had one reportable segment at the end of the period being the collaborative consumption business segment. The Group has identified its segment based on the internal reports that are reviewed on a monthly basis and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Accordingly, the Group operates predominantly in one business segment being the collaborative consumption business. Under the management approach outlined above only one operating segment has been identified and no further disclosure is required in the financial statements.

## NOTE 22: CASH FLOW STATEMENT RECONCILIATION

### (a) Reconciliation of net loss after tax to net cash flow from operating activities

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| Net loss after income tax | (5,370,285) | (3,235,752) |
| Adjustments for: | | |
| Depreciation | 10,611 | 16,063 |
| Depreciation (ROU) | 157,144 | 157,144 |
| Amortisation | 57,990 | 7,511 |
| Provision for expected credit loss | 92,918 | 66,008 |
| Impairment loss (goodwill) | 2,079,699 | - |
| Other non-cash items (including share-based payments) | 63,867 | 36,753 |
| Other non-operating items (expenses relating to financing activities) | - | 39,574 |
| Changes in operating assets and liabilities: | | |
| Change in trade and other receivables | (14,056) | 378,777 |
| Change in prepayments and other assets | (2,534) | 1,000 |
| Change in trade and other payables | (271,199) | 139,488 |
| Change in other liability | 137,823 | (21,230) |
| **Net cash flows from operating activities** | **(3,058,022)** | **(2,414,664)** |

### (b) Non-cash operating, investing and financing activities

During the year, the Company granted 12,820,638 options to employees to assist the recruitment, reward, retention and motivation of employees of the Group (refer Note 18).

On 31 January 2019, 3,196,982 Shares were issued to a consultant at a deemed issued price of $0.008 per share in lieu of cash payment for services.

On 22 July 2019, Willoughby Capital agreed to underwrite up to $1,150,000 of the 2019 Entitlement Issue, including take up of $150,000 of entitlements by offset of the Advance. Refer to Notes 14 and 15 for details of offset of the Advance against entitlements of Willoughby Capital upon completion of the 2019 Entitlement Issue on 27 August 2019.

On 14 November 2019, 2,525,730 Shares were issued to a corporate adviser upon completion of a placement.

These transactions are not reflected in the statement of cash flows.

### (c) Changes in liabilities arising from financing activities

| Consolidated | Financing Facility $ | Lease Liability $ |
|---|---|---|
| Balance at 1 July 2018 | - | - |
| Net cash from/(used in) financing activities | 1,000,000 | (152,113) |
| Acquisition of leases | - | 373,743 |
| Balance at 30 June 2019 | 1,000,000 | 221,630 |
| Net cash from/(used in) financing activities | - | (165,007) |
| Take up of $150,000 of entitlements under 2019 Entitlement Issue by offset of the Advance (refer to Notes 14 and 15) | (150,000) | - |
| **Balance at 30 June 2020** | **850,000** | **56,622** |

## NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE

### (a) Overview

The Group's principal financial assets and liabilities include trade and other receivables, cash and short-term deposits and trade payables derived directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's and consolidated entity's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and consolidated entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Group's system of risk oversight, management of material business risks and internal control.

### (b) Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and trade and other receivables. For the Parent Entity it arises from receivables due from subsidiaries.

The Group does not hold any credit derivatives to offset its credit exposure.

*(i) Trade and other receivables*

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Purchase limits may be established where appropriate for individual customers in accordance with parameters set by management.

In addition, receivable balances are regularly monitored and acted upon where necessary to ensure the minimisation of bad debts.

The Group trades only with recognised, creditworthy third parties, and as such collateral is generally not requested nor is it the Group's policy to securitise its trade and other receivables. Rental contracts entered into via the DriveMyCar platform result in the renter paying a deposit to provide security towards the vehicle and possible claims and payments.

The Consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

**NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

**(c) Credit risk**

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Consolidated Group Carrying Amount | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Cash and cash equivalents | 1,433,953 | 1,246,590 |
| Trade and other receivables and deposits - current | 132,510 | 117,234 |
| | **1,566,463** | **1,363,824** |

The credit quality is assessed and monitored as follows:

| 30 June 2020 | Equivalent S&P rating[1] A+ and above $ | Internally rated[2] New customers $ | Closely monitored customers $ | No default customers $ | Total $ |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,433,953 | - | - | - | 1,433,952 |
| Trade receivables - current | - | 1,193 | 42,848 | 18,605 | 62,646 |
| Other receivables and deposits | 7 | 69,857 | - | - | 69,864 |
| | **1,433,960** | **71,050** | **42,848** | **18,605** | **1,566,462** |

| 30 June 2019 | A+ and above $ | New customers $ | Closely monitored customers $ | No default customers $ | Total $ |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,246,590 | - | - | - | 1,246,590 |
| Trade receivables - current | - | 1,074 | 25,756 | 5,898 | 32,728 |
| Other receivables and deposits | 15,870 | 68,636 | - | - | 84,506 |
| | **1,262,460** | **69,710** | **25,756** | **5,898** | **1,363,824** |

Notes:

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

2. New customers are counterparties with whom the Group has traded for less than one year. No default customers are customers with whom the Group has traded for greater than one year and have no history of default, late payments, renegotiated terms or breach of their credit terms within the past two years. Closely monitored customers are customers with whom the Group has traded for greater than one year and do not qualify as no default customers.

**NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

**(c) Credit risk (continued)**

*(ii) Expected credit loss*

The Group applies AASB 9 simplified approach to measuring expected credit losses. The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on a matrix which approximates expected credit loss based on management's assessment of probable default rates based on aging categories. However, where there is no reasonable expectation of recovery, trade receivables are written off.

In the current period, the Group recognised an impairment loss of $92,918 (2019: $66,008) using the provision matrix and it is set out below:

| | Probable default rates % | Gross carrying amount $ | Expected credit loss $ |
|---|---|---|---|
| 0-30 days (not due) | 0-20% | 45,333 | 5,333 |
| 31-90 days | 60-90% | 14,066 | 9,692 |
| 91-180 days | 80% | 44,303 | 26,937 |
| More than 180 days | 100% | 117,869 | 116,964 |
| | | **221,571** | **158,926** |

**(d) Liquidity risk**

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, redeemable convertible notes and unsecured interest-free loans.

The Group manages liquidity risk by maintaining adequate reserves, monitoring the total expected and actual cash inflows and outflows on a monthly basis and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments. Cash flows for liabilities without fixed amount or timing are based on conditions existing at year end.

| **At 30 June 2020** | Carrying amount $ | Contractual cash flows $ | ≤ 6 months $ | 6-12 months $ | Total $ |
|---|---|---|---|---|---|
| Trade creditors | 190,620 | (190,620) | (190,620) | - | (190,620) |
| Other creditors | 512,245 | (512,245) | (512,245) | - | (512,245) |
| Lease liability | 59,102 | (59,102) | (59,102) | - | (59,102) |
| Financing Facility | 850,000 | (850,000) | (850,000) | - | (850,000) |
| | **1,611,967** | **(1,611,967)** | **(1,611,961)** | **-** | **(1,611,967)** |
| **At 30 June 2019** | | | | | |
| Trade creditors | 284,287 | (284,287) | (284,287) | - | (284,287) |
| Other creditors | 606,522 | (606,522) | (606,522) | - | (606,522) |
| Lease liability | 233,902 | (233,902) | (174,800) | (59,102) | (233,902) |
| Advance and Financing Facility | 1,000,000 | (1,000,000) | (150,000) | (850,000) | (1,000,000) |
| | **2,124,711** | **(2,124,711)** | **(1,215,609)** | **(909,102)** | **(2,124,711)** |

**NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

**(e) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

*Exposure to foreign currency risk*

The Board does not consider the Group is materially exposed to changes in foreign exchange rates. As a result, the Group does not currently seek to mitigate its foreign currency exposures. The Group had no exposure to foreign currency risk at balance date.

*Interest rate risk*

The Group's exposure to interest rates primarily relates to the Group's cash holdings. Interest rate risk is minimal. The Group has no debt at year end and is therefore not exposed to risks on interest borrowings.

The Board manages these risks by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates. The Group does not hedge against these risks.

*Profile*

The Group had the following exposure to interest rate risk at reporting date:

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| *Variable rate instruments* | | |
| **Financial assets** | | |
| Cash and cash equivalents | 1,433,953 | 1,246,590 |
| **Net exposure** | **1,433,953** | **1,246,590** |

*Sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Sensitivity analysis for variable rate instruments*

A change of 25 basis points in interest rates at reporting date (2019: 100 basis points) would have increased/(decreased) equity and profit or loss by the amounts shown below. The reasonable change has been calculated on the basis of historical changes in interest rates. This analysis assumes that all other variables remain constant.

| | Profit or loss | |
|---|---|---|
| **30 June 2020** | **25 bp increase** | **25 bp decrease** |
| Variable rate instruments | 3,585 | (3,585) |
| **30 June 2019** | **100 bp increase** | **100 bp decrease** |
| Variable rate instruments | 12,466 | (12,466) |

**NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

**(f) Fair value of financial instruments**

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

**NOTE 24: CAPITAL MANAGEMENT**

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board adjusts the capital structure to take advantage of favourable costs of capital or high return on assets. Capital structure is predominantly driven by the capital requirements of the Group.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels.

The Group has no formal financing and gearing policy or criteria during the year. This position has not changed from the previous year.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

**NOTE 25: INTEREST IN SUBSIDIARIES**

**(a) Subsidiaries**

The consolidated financial statements include the financial statements of Collaborate Corporation Limited and its subsidiaries listed in the following table:

| Name | Country of Incorporation | Date of Incorporation | Equity Interest 2020 % | Equity Interest 2019 % |
|---|---|---|---|---|
| Drive My Car Rentals Pty Ltd | Australia | 5 September 2009 | 100 | 100 |
| Drive My Fleet Pty Ltd | Australia | 15 December 2010 | 100 | 100 |
| Mobilise Global Pty Ltd | Australia | 28 April 2014 | 100 | 100 |
| My Caravan Pty Ltd | Australia | 3 September 2014 | 100 | 100 |

**(b) Ultimate parent**

Collaborate is the ultimate parent entity, incorporated in Australia on 20 September 1994.

## NOTE 26: PARENT ENTITY INFORMATION

The following details information related to the Parent Entity at 30 June 2020. The information presented has been prepared using accounting policies disclosed in Note 1.

### (a) Statement of financial position

| | Parent Entity | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 1,295,688 | 1,063,697 |
| Other current assets | 54,557 | 52,344 |
| **Total Current Assets** | 1,350,245 | 1,116,041 |
| **NON-CURRENT ASSETS** | | |
| Investments in subsidiaries | 2,080,000 | 2,080,001 |
| Intangible assets | 5,169 | 5,169 |
| Right of use asset (office lease) | 52,382 | 209,526 |
| **Total Non-Current Assets** | 2,137,551 | 2,294,696 |
| **TOTAL ASSETS** | **3,487,796** | **3,410,737** |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 260,634 | 309,227 |
| Related party advance and borrowings | 850,000 | 1,000,000 |
| Lease liability | 56,622 | 165,007 |
| **Total Current Liabilities** | 1,167,256 | 1,474,234 |
| **NON-CURRENT LIABILITIES** | | |
| Lease liability | - | 56,622 |
| **Total Non-Current Liabilities** | - | 56,622 |
| **TOTAL LIABILITIES** | 1,167,256 | 1,530,856 |
| **NET ASSETS** | **2,320,540** | **1,879,881** |
| **EQUITY** | | |
| Issued capital | 37,363,720 | 33,694,523 |
| Reserves | 989,426 | 1,018,029 |
| Accumulated losses | (36,032,606) | (32,832,671) |
| **TOTAL EQUITY** | **2,320,540** | **1,879,881** |

### (b) Statement of profit or loss and other comprehensive income

| | | |
|---|---|---|
| Net loss for the year [1 2] | (3,298,676) | (9,405,226) |
| **Total comprehensive loss for the year** | **(3,298,676)** | **(9,405,226)** |

1. During the year, impairment losses of $1,947,403 were recognised in relation to loans receivable from subsidiaries as at 30 June 2020 during the year (2019: $8,322,369).
2. During the year, investment of $1 in subsidiary, Mobilise, and loans receivable from subsidiaries, Mobilise and MyCaravan, totalling $432,085 were written off as those businesses ceased operations on 30 January 2020 and 30 July 2020, respectively.

### (c) Commitments and contingencies

The Parent Entity did not have any commitments or contingencies at reporting date.

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| **NOTE 27: AUDITORS' REMUNERATION** | $ | $ |
| Audit and half year review of financial reports (HLB Mann Judd (WA) Partnership) | **40,428** | **40,250** |

**NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to balance date, on 31 August 2020, the Company announced the intention to undertake a non-renounceable entitlement issue to raise up to $3.455 million, which is partially underwritten up to $2.080 million by existing shareholders and officers of the Company (including take up of entitlements by Willoughby Capital by offset of the $850,000 Financing Facility) (**2020 Entitlement Issue**). The 2020 Entitlement Issue will be offered on a 1-for-3 basis to shareholders of the Company at an offer price of $0.009 per Share. Subscribers for Shares issued under the 2020 Entitlement Issue will also receive free attaching options on a one-for-five basis. The options will have an exercise price of $0.015 per option and will expire on 31 October 2022.

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

Other than the matters described above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Collaborate
CORPORATION LIMITED

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Collaborate Corporation Limited, I state that:

1. In the opinion of the Directors of Collaborate Corporation Limited:

   (a) the accompanying financial statements and notes for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001 including:

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

   (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;

   (b) the financial report complies with International Financial Reporting Standards issued by the International Accounting Standards Board; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declaration required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board:

Chris Noone
*Chief Executive Officer/ Executive Director*

Dated at Sydney, New South Wales this 31st of August 2020.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

# INDEPENDENT AUDITOR'S REPORT

To the members of Collaborate Corporation Limited

## Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Collaborate Corporation 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material uncertainty related to going concern*

We draw attention to Note 1(b) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

| **Key Audit Matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Risk of fraud in revenue recognition**<br>Refer to note 1 (p) - Revenue from contracts with customers | |
| Revenue is comprised of fees received from rendering of services within the peer-to-peer sharing industry.<br><br>We determined this to be a key area of focus for the audit due to:<br><br>(i) the high volume of transactions; and<br>(ii) the inherent risk involved in the manual calculation of the service revenues. | Our procedures included, but were not limited to:<br><br>- evaluating management's processes and key controls regarding accounting for sales revenues;<br>- testing a sample of fee calculations, including re-performance;<br>- conducting analytical review procedures over revenue;<br>testing the completeness of revenue; and<br>- ensuring that revenue was recognised in accordance with the Group's accounting policies. |

*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.

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

*Auditor's responsibilities for the audit of the financial report*

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

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

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

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

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

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

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Collaborate Corporation 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.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**Perth, Western Australia**
**31 August 2020**

Norman Glad

**N G Neill**
**Partner**

# SHAREHOLDER INFORMATION

***Details of securities as at 28 August 2020***

**Capital structure**

| Securities | Number |
|---|---|
| Fully paid ordinary shares | 1,151,752,495 |
| Executive A Options exercisable at $0.0198 each and expiring on 28 November 2020 | 883,333 |
| Executive B Options exercisable at $0.0298 each and expiring on 28 November 2020 | 883,333 |
| Employee Options exercisable at $0.0386 each and expiring on 1 September 2020 | 2,081,796 |
| Officer A Options exercisable at $$0.0494 each and expiring on 23 November 2020 | 7,000,000 |
| Officer B Options exercisable at $$0.0792 each and expiring on 23 November 2020 | 10,500,000 |
| Unquoted Options exercisable at $0.015 each and expiring on 18 December 2020 | 173,217,106 |
| Employee Options exercisable at $0.0211 each and expiring on 3 September 2021 | 1,940,111 |
| Employee Options exercisable at $0.0163 each and expiring on 1 February 2022 | 260,031 |
| Employee Options exercisable at $0.0125 each and expiring on 7 May 2022 | 1,000,000 |
| Employee Options exercisable at $0.0150 each and expiring on 7 May 2022 | 1,000,000 |
| Employee Options exercisable at $0.0100 each and expiring on 2 September 2022 | 1,750,541 |
| Employee Options exercisable at $0.0200 each and expiring on 1 January 2023 | 349,508 |
| Employee Options exercisable at $0.0100 each and expiring on 16 March 2023 | 1,500,000 |
| Employee Options exercisable at $0.0100 each and expiring on 11 May 2023 | 3,000,000 |

**Top holders**

The 20 largest registered holders of each class of quoted security were:

*Fully paid ordinary shares*

| | Name | Number | % |
|---|---|---|---|
| 1. | WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C> | 241,142,533 | 20.94% |
| 2. | SG FLEET MANAGEMENT PTY LIMITED | 166,174,725 | 14.43% |
| 3. | TURNERS AUTOMOTIVE GROUP LIMITED | 125,000,000 | 10.85% |
| 4. | RACV INVESTMENT HOLDINGS PTY LTD | 37,499,999 | 3.26% |
| 5. | MR BRADLEY PARTRIDGE | 27,359,037 | 2.38% |
| 6. | ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C> | 20,000,000 | 1.74% |
| 7. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 19,416,980 | 1.69% |
| 8. | MYOLA (WA) PTY LTD <BRENT MEZGER FAMILY A/C> | 18,008,442 | 1.56% |
| 9. | JMT INVESTMENT GROUP VIC PTY LTD <JOHN TURNER SUPER FUND A/C> | 17,577,320 | 1.53% |
| 10. | SZEKELY SMSF PTY LTD <SZEKELY SUPER FUND A/C> | 17,500,000 | 1.52% |
| 11. | BNP PARIBAS NOMS(NZ) LTD <DRP> | 15,000,000 | 1.30% |
| 12. | LUNAIR PTY LTD | 13,408,792 | 1.16% |
| 13. | JMT INVESTMENT GROUP VIC PTY LTD | 13,000,000 | 1.13% |
| 14. | MR TEDDY TJANDRAMULIA | 12,727,812 | 1.11% |
| 15. | MRS SHARON TRACY JEFFRIES | 10,500,000 | 0.91% |
| 16. | ASB NOMINEES LIMITED <513640 - ML A/C> | 10,000,000 | 0.87% |
| 17. | KR CAPITAL INVESTMENTS PTY LTD <KJ & RA CHAMBERS FAMILY A/C> | 8,501,476 | 0.74% |
| 18. | AJ HOLIDAYS PTY LTD <OWEN AR & JSY S/F A/C> | 8,183,989 | 0.71% |
| 19. | NOONE HOLDINGS PTY LTD <C AND K NOONE FAMILY A/C> | 8,062,350 | 0.70% |
| 20. | D S A H HOLDINGS PTY LTD | 7,777,485 | 0.68% |
| | | **796,840,940** | **69.21%** |

**Distribution schedule**

A distribution schedule of each class of equity security:

**Fully paid ordinary shares**

| Range | | Holders | Units | % |
|---|---|---|---|---|
| 1 | - 1,000 | 21 | 4,769 | 0.00% |
| 1,001 | - 5,000 | 10 | 28,158 | 0.00% |
| 5,001 | - 10,000 | 7 | 56,843 | 0.00% |
| 10,001 | - 100,000 | 237 | 16,393,321 | 1.43% |
| 100,001 | - Over | 491 | 1,135,269,404 | 98.57% |
| **Total** | | **766** | **1,151,752,495** | **100.00%** |

**Unquoted securities**

| Class | Expiry Date | Exercise Price | Number of Options | Number of Holders |
|---|---|---|---|---|
| Executive A Options | 28 November 2020 | $0.0198 | 883,333 | 1 |
| Executive B Options | 28 November 2020 | $0.0298 | 883,333 | 1 |
| Employee Options | 1 September 2020 | $0.0386 | 2,081,796 | 4 |
| Officer A Options | 23 November 2020 | $0.0494 | 7,000,000 | 4 |
| Officer B Options | 23 November 2020 | $0.0792 | 10,500,000 | 4 |
| Unquoted Options | 18 December 2020 | $0.0150 | 173,217,106 | 116 |
| Employee Options | 3 September 2021 | $0.0211 | 1,940,111 | 4 |
| Employee Options | 1 February 2022 | $0.0163 | 260,031 | 1 |
| Employee Option | 7 May 2022 | $0.0125 | 1,000,000 | 1 |
| Employee Options | 7 May 2022 | $0.0150 | 1,000,000 | 1 |
| Employee Option | 2 September 2022 | $0.0100 | 1,750,541 | 2 |
| Employee Options | 1 January 2023 | $0.0200 | 349,508 | 1 |
| Employee Options | 16 March 2023 | $0.0100 | 1,500,000 | 1 |
| Employee Options | 11 May 2023 | $0.0100 | 3,000,000 | 1 |

The 20 largest registered holders of Unquoted Options were:

*Unquoted Options exercisable at $0.015 each and expiring on 18 December 2020*

| | Name | Number | % |
|---|---|---|---|
| 1. | TURNERS AUTOMOTIVE GROUP LIMITED | 83,333,333 | 48.11% |
| 2. | WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C> | 75,791,667 | 43.76% |
| 3. | MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C> | 3,875,000 | 2.24% |
| 4. | MR BRADLEY PARTRIDGE | 3,200,000 | 1.85% |
| 5. | MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C> | 875,000 | 0.51% |
| 6. | MR ADRIAN MAXWELL BUNTER | 864,814 | 0.50% |
| 7. | MISS KAREN TERESA LOGAN | 666,667 | 0.38% |
| 8. | MR CRAIG GRAEME CHAPMAN & MRS JOANNE CHAPMAN <WEEVCHOOK FAMILY A/C> | 625,000 | 0.36% |
| 9. | MR CRAIG GRAEME CHAPMAN & MRS JOANNE CHAPMAN <CHAPPO'S SUPER FUND A/C> | 500,000 | 0.29% |
| 10. | MR ADRIAN MAXWELL BUNTER | 468,519 | 0.27% |
| 11. | NOONE HOLDINGS PTY LTD <C AND K NOONE FAMILY A/C> | 336,110 | 0.19% |
| 12. | MR MARK JEREMY HORGAN & MRS MARIA THERESE HORGAN <MJ & MT HORGAN S/F A/C> | 333,333 | 0.19% |
| 13. | AURIC INDUSTRIES PTY LIMITED <AURIC IND PROVIDENT FD A/C> | 291,666 | 0.17% |
| 14. | YUNKI PTY LIMITED <THE GRAY SUPERFUND A/C> | 266,666 | 0.15% |
| 15. | MR JOSEPH DIAS & MRS THERESA FLORY DIAS | 146,042 | 0.08% |
| 16. | DR PHILLIP FRANCIS JACOBSEN & MRS VALERIE MARGARET JACOBSEN <JACOBSEN SUPERANNUATION A/C> | 133,333 | 0.08% |
| 17. | MISS FELICITY KATE CONLAN | 120,832 | 0.07% |
| 18. | MR ROBERT BRUCE TOMS | 98,333 | 0.06% |
| 19. | DR PHILLIP FRANCIS JACOBSEN & MRS VALERIE MARGARET JACOBSEN <JACOBSEN SUPERANNUATION A/C> | 66,666 | 0.04% |
| 20. | MR DAVID ROBERT CARLYON | 66,666 | 0.04% |
| | | **172,059,647** | **99.34%** |

**Substantial shareholders**

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

| Substantial shareholder | Number of Shares |
|---|---|
| Willoughby Capital Pty Ltd <Willoughby Capital A/C> | 247,705,033 |
| SG Fleet Group Limited (ASX:SGF) | 157,144,197 |
| Turners Automotive Group Limited (ASX:TRA) | 125,000,000 |

**Unmarketable parcels**

Holdings less than a marketable parcel of ordinary shares (being 55,555 as at 28 August 2020):

| Holders | Units |
|---|---|
| 111 | 2,583,126 |

**Voting Rights**

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

**On-Market Buy Back**

There is no current on-market buy-back.