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# ANNUAL REPORT

## 18/19



# CORPORATE DIRECTORY

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## CURRENT DIRECTORS

Kevin Moriarty - Executive Chairman  
Robert Shepherd - Non Executive Director  
Dana Larson - Non Executive Director

## COMPANY SECRETARY

Richard Willson

## REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1414 Degrees Limited  
Level 4, 81 Flinders Street  
Adelaide SA 5000  
Telephone: +61 8 8357 8273

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Level 5, 115 Grenfell Street  
Adelaide SA 5000  
Telephone: +61 3 9415 4000  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## STOCK EXCHANGE

1414 Degrees Limited shares are quoted  
on the Australian Securities Exchange  
(ASX:14D)

## SOLICITORS

HWL Ebsworth Lawyers  
Level 21, 91 King William Street  
Adelaide SA 5000

Wallmans Lawyers  
Level 5, 400 King William Street  
Adelaide SA 5000

## PATENT & TRADE MARK ATTORNEYS

Madderns  
Level 4, 19 Gouger Street  
Adelaide SA 5000

## AUDITOR

BDO Advisory (SA) Pty Ltd  
Level 7, 420 King William Street  
Adelaide SA 5000

## WEBSITE

[www.1414degrees.com.au](http://www.1414degrees.com.au)

“We are delivering. Thank you for your support and commitment to the growth of our Company.”



# Chairman's Letter to Shareholders



**Dr Kevin Moriarty**  
Executive Chairman

Dear Shareholders,

I am pleased to report that your Company has continued its growth trajectory, focused on the integration of storage for a viable renewable energy future – both within Australia and internationally. We have been delivering on the objectives outlined in the IPO prospectus a year ago, adapting them where necessary to accommodate a changing energy market.

The core focus for your Company is to develop its energy storage technology and prove it in operational sites. This is progressing well, with the GAS-TESS now operating at SA Water's Glenelg Wastewater Treatment Plant, and the recently announced new pilot sites and partnerships that will allow us to prove viability of the TESS-IND and the TESS-GRID.

Our revenue strategies have been adapted to accommodate developments in the National Electricity Market alongside the falling market for renewable energy certificates. The latter underpinned the economic model for the installation of renewable generation on the sites of heat customers, including packaging manufacturers and the poultry industry.

At the same time, increased large scale renewable generation coming onto the electricity grid has led to falling prices for long term power purchase agreements (PPAs), and increased opportunities for storage to earn revenues from arbitrage. The key outcome for shareholders has been your Company bringing forward the plans outlined in the prospectus, to sell energy supply solutions for customers.

Our thermal energy storage will be at the core of each tailored energy supply agreement for heat and electricity customers. Renewable energy will be sourced either locally or through PPAs over the electricity network, and converted to heat for the customer or traded on the grid creating multiple sources of revenue.

As also outlined in the prospectus, your Company will partner with retail and financing entities to deliver solutions to these customers. Our recently announced agreements with Enova Energy, Ampcontrol and BE Power are intended to develop solutions for the Stone and Wood brewery in New South Wales, and a Nectar Farms greenhouse in South Australia, following feasibility studies. Realisation of these projects or others under consideration will provide a strong foundation for commercialisation of the electrically charged TESS up to gigawatt hour scale.

Our gas fired energy storage system (GAS-TESS) will enable a different revenue model based on direct sales to wastewater treatment utilities and industries including dairies and food processors, backed by operation and maintenance agreements.

Your Company continues to develop its people and culture to deliver our vision.

Global opportunities continue to be presented to us and we are growing our 21 strong team on both a technical and corporate level.

Thank you for your support and commitment. Many shareholders have assisted us to realise our potential with referrals, notes of acknowledgement and by sharing enthusiasm for the growth of 1414 Degrees.

Your Company is well positioned to enable and benefit from the transition to a growing renewable energy market. Our energy solutions will lower costs and carbon risk, providing positive economic and environmental outcomes for shareholders and the wider community.

Yours sincerely,

**DR KEVIN MORIARTY**  
EXECUTIVE CHAIRMAN

# Corporate Governance

1414 Degrees Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 Corporate Governance Statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year.

The 2019 Corporate Governance Statement has been approved by the Board.

A description of the Company's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at [www.1414degrees.com.au](http://www.1414degrees.com.au)

1414 DEGREES LIMITED  
ACN 138 803 620

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

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1414 DEGREES LIMITED  
ACN 138 803 620

DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

The directors of 1414 Degrees Limited present their report on the company for the financial year ended 30 June 2019.

#### DIRECTORS

The following persons were directors of 1414 Degrees Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kevin Charles Moriarty - Chairman  
Robert John Keith Shepherd  
Dana Larson

#### COMPANY SECRETARY

Richard Willson

#### PRINCIPAL ACTIVITIES

1414 Degrees Limited is commercialising bulk energy storage solutions to transform intermittent renewable generation into baseload electricity and decarbonise heat supply. Its technology uses renewable electricity or biogas to provide combined heat and power solutions for consumers while stabilising electricity grids. Its silicon-based thermal energy storage devices provide compact solutions with the advantages of scalability, low cost, long life and flexible placement.

#### DIVIDENDS

No dividends have been paid during or since the financial year ended 30 June 2019.

#### REVIEW OF OPERATIONS

A summary of economic revenues and results is set out below:

The Company's technology continued to receive enquiries from Australian and global companies and utilities, attracted by the ability to provide a combination of base load heat and electric power sourced from renewables. The future of the company as a provider of combined heat and power solutions to lower costs for consumers came more sharply into focus. This contrasts with other storage that focus solely on electricity - a smaller market than heat. Large scale electrification of heat energy could make this Company a market leader, reducing emissions for a much greater market segment than electricity generation and consumption.

Preliminary commissioning of a full sized electrically charged TESS-IND prototype was completed in late 2018 at the Company's facility at Southlink Industrial Park. Two turbine runs of three and eight hours, powered from stored energy, were verified by Bureau Veritas Asset Integrity and Reliability Services Pty Ltd. A full test of capability was deferred pending installation of a fully insulated, redesigned TESS-IND MkII at a commercial site with heat demand.

The Company continued to evaluate commercial sites for TESS, particularly those that are currently using LPG because of the favourable financials. It entered into an arrangement with Austcor's majority shareholder, ABBE Corrugated Pty Ltd to undertake studies for a pilot TESS at their Victorian plant. That plant uses network gas and the project is still under consideration. The proposed TESS hot water supply for Pepe's Ducks is still under consideration.

In December the GAS-TESS components were moved from Southlink Industrial Park to the Company's first commercial test site at SA Water's Glenelg Wastewater Treatment Plant. In March the GAS-TESS was commissioned and entered into an extended period of characterisation test runs. The GAS-TESS reached operating temperature and started generating electricity and heat for the wastewater treatment plant very quickly considering it is the first build of the technology. Augmentations to enhance performance will be determined following several months of operational testing.

The business development team continues to refine commercial revenue models for the electrically charged TESS, focusing on the conversion of intermittent renewable electricity supply into on-demand heat and electricity for consumers. These indicate favourable revenue outcomes for the foreseeable future at appropriate sites. The analysis is being extended to small and large sites that have been proposed to the company by consumers. The team has also been developing business models and agreements for TESS units in conjunction with a community retailer, and progressed assessments of large heat consuming industries located near sub stations on the national electricity network. High level modelling, based on low-cost power purchase agreements and energy trading, projects positive revenues for the company and lower energy costs for the industrial consumers. This modelling continues to be refined and extended to encompass future energy market scenarios.

Research and development activity focused on lower cost thermal storage and higher efficiency. The intention is to achieve very large-scale silicon storage with decreasing cost per unit of stored energy.

During the financial year the company completed its IPO and listed on the Australian Securities Exchange (ASX).

#### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the twelve month period ending 30 June 2019 the company issued 46,680,977 shares raising \$16,143,155.00.

#### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Nil.

#### ENVIRONMENTAL REGULATION

The company is not subject to significant environmental regulations and is not aware of any breaches of any environmental regulations during the year.

**1414 DEGREES LIMITED**  
**ACN 138 803 620**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**MEETINGS OF DIRECTORS**

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2018, and the number of meetings attended by each director are set out below:

Directors	Board		Committee	
	Held	Attended	Held	Attended
Kevin Moriarty	7	7	0	0
Robert Shepherd	7	7	0	0
Dana Larson	7	7	0	0

**INFORMATION ON DIRECTORS**

Name: Kevin Moriarty  
Title: Executive Chairman  
Qualifications: BSc (Hons), Ph.D., MAusIMM

Experience and expertise: Kevin has over 40 years of mining and oil exploration and development experience and 29 years of corporate experience in roles including Chairman and Managing Director of listed companies. He founded and led several companies to develop mines in Australia and Africa. He has served as director and chairman of a number of ASX listed companies guiding their restructure and relisting. He has researched deep sea sediments, cave and fossil deposits and published papers on climate change as an honorary research fellow of Flinders University and the Australian National University.

Other current directorships: None  
Former directorships (last 3 years): None  
Interests in shares: 12,403,000 ordinary shares  
Interests in options: None  
Contractual rights to shares: None

Name: Robert Shepherd  
Title: Non-Executive Director  
Qualifications: FIPA, CTA, JP

Experience and expertise: Robert is a qualified accountant who has practised for 49 years as a public accountant specialising in income tax compliance and company administration. He has owned and managed his own practice with a clientele ranging from primary producers, small business retail clients and medium sized businesses. He has had local Government experience and held a senior executive position for several years in a national sporting body in addition to operating his accounting practice. He is a founding investor and director of 1414 Degrees from its incorporation, involved in management, administration and has provided significant funding through the development of the Company.

Other current directorships: None  
Former directorships (last 3 years): None  
Interests in shares: 7,107,594 ordinary shares  
Interests in options: None  
Contractual rights to shares: None

Name: Dana Larson  
Title: Non-Executive Director  
Qualifications: B.Sc Chemical and Petroleum Engineering

Experience and expertise: Dana is an energy expert with 16 years' of experience primarily focusing on acquisitions, reservoir engineering, financial modelling, and engineering management. He has a passion for cultivating a culture of success and for leveraging technical knowledge to create and optimise value for companies. He consults for hedge funds and wealthy individuals on exploration & production, mining, and renewable energy and is currently running an energy acquisition and divestiture consultancy.

Other current directorships: None  
Former directorships (last 3 years): None  
Interests in shares: 250,000 ordinary shares  
Interests in options: None  
Contractual rights to shares: None

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

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

**1414 DEGREES LIMITED**  
**ACN 138 803 620**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**COMPANY SECRETARY**

Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining and agricultural sectors for both publicly listed and private companies. Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), Graphene Technology Solutions Limited, Unity Housing Company Limited, and Variety SA; and Company Secretary of a number of ASX Listed Companies. Richard is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

**REMUNERATION REPORT (AUDITED)**

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

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

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

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

**Principles used to determine the nature and amount of remuneration**

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

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

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company.

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

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

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

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

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

*Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share Performance Rights or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum annual aggregate remuneration for non-executive directors has been set at \$300,000.

1414 DEGREES LIMITED  
ACN 138 803 620

DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

*Executive remuneration*

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

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

The Company has a Performance Rights Plan under which it can issue Performance Rights to staff and executives.

**Details of remuneration**

*Amounts of remuneration*

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

The key management personnel of the Company consisted of the following directors of 1414 Degrees Ltd:

- Robert Shepherd - Non-Executive Director
- Dana Larson - Non-Executive Director
- Kevin Moriarty - Executive Chairman and Chief Executive Officer

And the following persons:

- Penelope Bettison - Head of Corporate Services
- Richard Willson - Company Secretary
- Jordan Parham - Chief Operating Officer (appointed on 14 January 2019)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Robert Shepherd	32,167	-	-	3,056	-	-	-	35,223
Dana Larson *	23,333	-	-	-	-	-	-	23,333
<i>Executive Directors:</i>								
Kevin Moriarty (Chairman)	297,749	-	-	20,479	6,046	-	-	324,275
<i>Other Key Management Personnel:</i>								
Penelope Bettison	195,750	-	-	18,525	3,795	-	11,341	229,412
Richard Willson	106,400	-	-	9,386	954	-	869	117,609
Jordan Parham **	99,000	-	-	8,716	1,891	-	14,183	123,790
	<u>754,399</u>	<u>-</u>	<u>-</u>	<u>60,162</u>	<u>12,686</u>	<u>-</u>	<u>26,393</u>	<u>853,641</u>

\* Represents remuneration from 1 December 2018 to 30 June 2019

\*\* Represents remuneration from 14 January 2019 to 30 June 2019

1414 DEGREES LIMITED  
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DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2018	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Robert Shepherd	-	-	-	-	-	-	-	-
Dana Larson	-	-	-	-	-	50,000	-	50,000
<i>Executive Directors:</i>								
Kevin Moriarty (Chairman)	80,710	-	-	6,938	315	-	-	87,963
Matthew Johnson	79,575	-	-	-	-	-	-	79,575
<i>Other Key Management Personnel:</i>								
Penelope Bettison	160,024	-	-	13,991	410	-	-	174,424
Richard Willson	91,557	-	-	8,177	262	-	-	99,996
	411,866	-	-	29,105	987	50,000	-	491,957

#### Employment agreements

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

Name: Robert Shepherd  
Title: Non-Executive Director  
Agreement commenced: 11 September 2009  
Term of agreement: Ongoing  
Details: Director fee for the year ending 30 June 2019 of \$40,000 plus superannuation.

Name: Dana Larson  
Title: Non-Executive Director  
Agreement commenced: 1 December 2018  
Term of agreement: Ongoing  
Details: Director fee for the year ending 30 June 2019 of \$40,000.

Name: Kevin Moriarty  
Title: Executive Chairman and Chief Executive Officer  
Agreement commenced: 1 January 2018  
Term of agreement: 2 years  
Details: Base salary for the year ending 30 June 2019 of \$150,000 plus superannuation before IPO and 295,000 plus superannuation after IPO. 6-month termination notice by either party.

Name: Penelope Bettison  
Title: Head of Corporate Services  
Agreement commenced: 1 March 2019; varied from previous fixed term agreement  
Term of agreement: Ongoing  
Details: Base salary for the year ending 30 June 2019 of \$195,000 plus superannuation. 3 month termination notice by either party. Issue of Performance Rights to the value of \$101,995, vesting after 12 months subject to meeting performance criteria 1 : 14D Shares achieving a 30 Day VWAP of \$0.70 by 31/12/2019 and criteria 2 : 14D Shares achieving a 30 day VWAP of \$1.00 by 31/12/2020.

Name: Richard Willson  
Title: Company Secretary  
Agreement commenced: 19 October 2017; varied effective 1 February 2019  
Term of agreement: Ongoing  
Details: Base salary for the year ending 30 June 2019 of \$62,400 plus superannuation, . 3 month termination notice by either party. Issue of Performance Rights to the value of \$7, 261, vesting after 12 months subject to meeting performance criteria 1 : 14D Shares achieving a 30 Day VWAP of \$0.70 by 31/12/2019 and criteria 2 : 14D Shares achieving a 30 day VWAP of \$1.00 by 31/12/2020.

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DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

**Employment agreements (Continued)**

Name: Jordan Parham  
Title: Chief Operating Officer  
Agreement commenced: 14 January 2019  
Term of agreement: Ongoing  
Details: Base salary for the year ending 30 June 2019 of \$195,000 plus superannuation. 3 month termination notice by either party. Issue of Performance Rights to the value of \$45,750, vesting after 12 months subject to meeting performance criteria 1 : Successful performance review on 15/01/2020 and criteria 2 : Successful test of specific R&D activities by 31/12/2019.

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

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019

*Performance Rights*

The terms and conditions of each grant of Performance Rights ("PR") over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of PR granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per PR at grant date
Penelope Bettison	250,000	2-Apr-19	15-Jan-21	15-Jan-21	-	\$0.2161
	500,000	2-Apr-19	15-Jan-22	15-Jan-22	-	\$0.2351
Richard Willson	25,000	2-Apr-19	15-Jan-21	15-Jan-21	-	\$0.2161
	25,000	2-Apr-19	15-Jan-22	15-Jan-22	-	\$0.2351
Jordan Parham	100,000	2-Apr-19	14-Jan-20	14-Jan-20	-	\$0.3050
	100,000	2-Apr-19	14-Jan-20	14-Jan-20	-	\$0.3050

PR granted carry no dividend or voting rights. None of the performance rights in the table are currently vested and therefore cannot be exercised.

All PR were granted over unissued fully paid ordinary shares in the company. The number of PR granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Company performance and link to remuneration'. PR vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. PR are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such PR other than on their potential exercise.

Values of PR over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Value of PR granted during the year \$	Value of PR exercised during the year \$	Value of PR lapsed during the year \$	Remuneration consisting of PR for the year %
Penelope Bettison	101,995	-	-	5%
Richard Willson	7,261	-	-	1%
Jordan Parham	45,750	-	-	11%
	<u>155,006</u>	-	-	<u>17%</u>

**Company performance link to remuneration**

The remuneration of key management personnel is linked to the development of the company's intangible assets, the company completing its IPO and the continued progress towards developing the pilot TESS plants as described in the review of operations.

1414 DEGREES LIMITED  
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DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

*Other transactions with key management personnel and their related parties*

Merchant Accounting, a company related to Robert Shepherd, charged accounting fees of \$6,000 during the year and no balance relating to these charges was outstanding at 30 June 2019. All transactions were made on normal commercial terms and conditions and at market rates. This Accounting fee was recognised as an expense in the period.

**This concludes the remuneration report, which has been Audited.**

**Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
<i>Ordinary shares</i>					
Robert Shepherd	7,107,594	-	-	-	7,107,594
Dana Larson	250,000	-	-	-	250,000
Kevin Moriarty	12,403,000	-	-	-	12,403,000
Penelope Bettison	1,000,000	-	-	-	1,000,000
Richard Willson	-	-	-	-	-
Jordan Parham	-	-	-	-	-
	<u>20,760,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,760,594</u>

*Performance Rights holding*

The number of PR over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the date of this report
<i>PR over ordinary shares</i>					
Penelope Bettison	-	750,000	-	-	750,000
Richard Willson	-	50,000	-	-	50,000
Jordan Parham	-	200,000	-	-	200,000
	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>

None of the performance rights in the table above are currently vested and therefore cannot be exercised.

1414 DEGREES LIMITED  
ACN 138 803 620

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

**INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of 1414 Degrees Limited.

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of \$56,000. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

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

**NON-AUDIT SERVICES**

Details of the amounts paid or payable to the auditor for non-audit services provided by the auditor are outlined in note 7 to the financial statements. The amounts is Nil during the financial year.

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

The directors are of the opinion that the services as disclosed in note 49 to the financial statements do not compromise the external auditor's independence

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

**OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ACCOUNTING FIRM BDO**

There are no officers of the company who are former partners of Accounting Firm BDO.

**AUDITOR'S INDEPENDENCE DECLARATION**

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

**AUDITOR**

Accounting Firm BDO continues in office in accordance with section 327 of the Corporations Act 2001.

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



Kevin Moriarty  
Executive Chairman

Adelaide

Dated this 30th day of August 2019

1414 DEGREES LIMITED  
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 AUD\$	2018 AUD\$
Other Income	5	298,820	63,387
Administration and Professional Expenses		926,439	566,136
Occupancy Expenses		365,709	419,547
Marketing Expenses		218,528	165,142
Depreciation and Amortisation	6	33,658	24,533
Employee Benefits Expense		1,567,347	1,311,411
Share Based Payments (Equity-settled)	6	103,339	2,173,765
Directors Fees		53,333	79,575
Other Expenses		700,113	808,137
Finance Costs		74,507	-
IPO Expense		526,662	-
<b>(Loss) before income tax</b>		<u>(4,270,815)</u>	<u>(5,484,860)</u>
Income tax benefit / (expense)	8	-	-
<b>(Loss) for the year</b>		<u><u>(4,270,815)</u></u>	<u><u>(5,484,860)</u></u>
<b>Other comprehensive income for the year</b>		-	-
Items that will be reclassified subsequently to profit		-	-
		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) for the year</b>		<u><u>(4,270,815)</u></u>	<u><u>(5,484,860)</u></u>
<b>Basic loss per share</b>	16	(2.58) cents	(5.03) cents
<b>Diluted loss per share</b>	16	(2.58) cents	(5.03) cents

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

1414 DEGREES LIMITED  
ACN 138 803 620

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Note	2019 AUD\$	2018 AUD\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	9,721,192	928,242
Trade and other receivables	10	2,448,344	2,480,610
Other current assets	11	216,215	406,015
<b>Total current assets</b>		<u>12,385,751</u>	<u>3,814,867</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	135,487	139,614
Intangible Assets	13	5,109,045	2,174,579
<b>Total non-current assets</b>		<u>5,244,532</u>	<u>2,314,193</u>
<b>Total assets</b>		<u>17,630,283</u>	<u>6,129,060</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	485,316	1,115,303
Provision for employee benefits		126,031	63,505
<b>Total current liabilities</b>		<u>611,347</u>	<u>1,178,808</u>
<b>Non-current liabilities</b>			
Provision for employee benefits		93,005	-
<b>Total non-current liabilities</b>		<u>93,005</u>	<u>-</u>
<b>Total liabilities</b>		<u>704,352</u>	<u>1,178,808</u>
<b>Net assets</b>		<u>16,925,931</u>	<u>4,950,252</u>
<b>EQUITY</b>			
Contributed equity	15	29,097,294	12,954,139
Share Based Payments Reserve	17	123,111	19,772
Accumulated losses		(12,294,474)	(8,023,659)
<b>Total equity</b>		<u>16,925,931</u>	<u>4,950,252</u>

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

1414 DEGREES LIMITED  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 AUD\$	2018 AUD\$
<b>Cash flows from operating activities</b>			
Cash received from customers		8,250	51,257
Cash paid to suppliers and employees		(4,291,809)	(3,182,962)
Government grants		60,273	
Interest received		163,770	9,290
Interest paid		(74,507)	-
<b>Net cash inflow/(outflow) from operating activities</b>	18	<u>(4,134,023)</u>	<u>(3,122,416)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(29,531)	(164,146)
Payments for product development activities		(6,068,625)	(5,161,873)
Government grant received and used for intangible asset		430,930	1,461,070
Research and development tax offset received and used for intangible asset		2,568,476	459,748
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(3,098,750)</u>	<u>(3,405,201)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,335,493	-
Repayment of borrowings		(1,335,493)	-
Transaction costs related to issues of shares or options		(315,839)	-
Proceeds from exercise of share options		31,657	-
Proceeds from the issue of shares		16,306,690	5,847,854
<b>Net cash inflow/(outflow) from financing activities</b>		<u>16,022,508</u>	<u>5,847,854</u>
Net increase/(decrease) in cash and cash equivalents		8,789,735	(679,763)
Net foreign exchange differences		3,215	-
Cash and cash equivalents at beginning of period		928,242	1,608,005
<b>Cash and cash equivalents at end of period</b>	9	<u>9,721,192</u>	<u>928,242</u>

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

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total equity \$
<b>At 1 July 2017</b>	<b>5,066,285</b>	<b>386,007</b>	<b>(3,038,799)</b>	<b>2,413,493</b>
Loss for the year	-	-	(5,484,860)	(5,484,860)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(5,484,860)</b>	<b>(5,484,860)</b>
<b>Transactions with owners in their capacity as owners</b>				
Share Based Payments - shares granted and issued in the year	90,000	-	-	90,000
Share Based Payments - annual expense for pre-existing arrangements	-	8,402	-	8,402
Share Based Payment - cancellation without replacement	-	(116,541)	500,000	383,459
Share Based Payment - cancellation with replacement shares	1,950,000	(258,096)	-	1,691,904
Contributions of equity net of transaction costs	5,847,854	-	-	5,847,854
	<b>7,887,854</b>	<b>(366,235)</b>	<b>500,000</b>	<b>8,021,619</b>
<b>At 30 June 2018</b>	<b>12,954,139</b>	<b>19,772</b>	<b>(8,023,659)</b>	<b>4,950,252</b>
Loss for the year	-	-	(4,270,815)	(4,270,815)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(4,270,815)</b>	<b>(4,270,815)</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	-	-	-
Employee Share Scheme - Performance Rights Issue	-	103,339	-	103,339
Contributions of equity net of transaction costs	16,143,155	-	-	16,143,155
	<b>16,143,155</b>	<b>103,339</b>	<b>-</b>	<b>16,246,494</b>
<b>At 30 June 2019</b>	<b>29,097,294</b>	<b>123,111</b>	<b>(12,294,474)</b>	<b>16,925,931</b>

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

**NOTE 1 CORPORATE INFORMATION**

The financial statements of 1414 Degrees Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 20 August 2019 and cover the company as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

1414 Degrees Limited is a company limited by shares incorporated and domiciled in Australia.

The address of the company's registered office and principal place of business is Level 4, 81 Flinders Street, Adelaide SA 5000.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The company is a for-profit company for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Amounts have been rounded to whole dollars.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**(b) Other Income Recognition**

All revenue is stated net of the amount of goods and services tax (GST).

**Grant**

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to intangible assets are deducted from the cost of the asset.

**Interest**

Interest is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

**(c) Goods and Services Tax (GST)**

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised in other comprehensive income.

**(e) Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value 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 purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The intangible asset that is not yet ready for use is also tested for impairment annually.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(f) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

**(g) Property, Plant and Equipment**

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

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

The depreciable amount of all fixed assets is depreciated on a straight line or diminishing value basis over the asset's useful life to the company commencing from the time the asset is held ready for use. The following estimated useful lives will be used in the calculation of depreciation:

- Plant and equipment	2 - 15 years
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The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

**(h) Intangible Assets**

*Product Development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Expenditure capitalised comprises costs of materials and services. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired. As the asset is not yet available for use, the useful life has not yet been determined.

The R&D refund is recognised on an accrual basis, calculated using actual costs incurred on eligible activities and is subject to potential review by Government for up to 5 years.

1414 DEGREES LIMITED  
ACN 138 803 620NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(i) Leases**

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

All trade and other payables are non interest bearing.

**(k) Employee benefits***Short-term employee benefits*

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

*Other long-term employee benefits*

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

*Defined contribution superannuation expense*

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

*Share-based payments*

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(m) Financial Assets

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

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

*Financial assets at fair value through profit or loss*

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

*Financial assets at fair value through other comprehensive income*

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

*Impairment of financial assets*

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

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

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(n) Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2019.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective or adopted.

Standards and Interpretations in issue not yet adopted	Effective for annual	Expected to be initially
AASB 16 'Leases'	1-Jan-19	30-Jun-20

The company has not assessed the impact of adoption.

(o) Application of new and revised Accounting Standards

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

*AASB 9 Financial Instruments*

The entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Application of new and revised Accounting Standards (continued)**

*AASB 9 Financial Instruments (Continued)*

contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

*Impact of adoption*

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was nil.

*AASB 15 Revenue from Contracts with Customers*

The entity has adopted AASB 15 from 1 July 2018. There was no impact because the entity has not recognised revenue.

**NOTE 3 ACCOUNTING ESTIMATES AND JUDGEMENTS**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**Key Estimates - Impairment**

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for intangible assets and those with a finite useful life but not yet considered ready for use, relevant inputs have been factored into valuation models for the next 5 years on the basis of management's expectations regarding the growth of the market and the company's ability to capture market share. Pre-tax discount rates of 5% have been used in all models.

The intangible asset is tested for impairment at the end of the reporting period.

**Key Judgements - Product Development**

Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of \$5,109,045 (2018: \$2,174,579 ) being the carrying value of the Product Development intangible asset of \$13,017,713 (2018: \$6,949,088) less the associated Government Grant funding of \$2,332,000 (2018: \$1,901,070) and the R&D refundable tax offsets applied of \$5,576,668 (2018: \$2,873,439). The directors believe that while the development and commercialisation of the technology remains in-progress and the asset is not yet generating economic benefits (beyond customer trials), it is not considered ready for use. A reliable estimate for the useful life of the asset will only be capable of being determined once the asset is assessed as ready for use, after which point, amortisation will commence. The directors are satisfied that it is probable that the intangible asset will generate future economic benefits based on internal financial models and potential project scenario analysis.

**NOTE 4 SEGMENT REPORTING**

There is only one segment which is the entire business, which operates entirely within Australia.

**NOTE 5 OTHER INCOME**

	2019 AUD\$	2018 AUD\$
Interest Received	238,547	9,290
Rent & Office Recoveries	-	39,097
Provision of services	-	15,000
Government grants	60,273	-
	<u>298,820</u>	<u>63,387</u>

**NOTE 6 EXPENSES**

Profit(loss) before income tax includes the following specific expenses:

*Depreciation expense*

Furniture and fixtures	17,282	13,145
Office equipment	16,376	11,387
	<u>33,658</u>	<u>24,533</u>

*Superannuation expense*

Defined contribution superannuation expense	121,533	105,383
	<u>121,533</u>	<u>105,383</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

	2019 AUD\$	2018 AUD\$
<b>NOTE 6 EXPENSES (continued)</b>		
<i>Share based payment expense</i>		
Employee Share Scheme - Performance Rights	103,339	-
Shares issued during the period - new arrangements	-	90,000
Amortisation of pre-existing agreements still on hand at respective balance date	-	8,042
Expense of cancelling pre-existing arrangement and issuing replacement shares	-	1,691,904
Expense of cancelling pre-existing arrangement without replacement	-	383,459
	<u>103,339</u>	<u>2,173,405</u>
<b>NOTE 7 AUDITORS' REMUNERATION</b>		
<b>Audit services</b>		
Amounts paid/payable to BDO for audit of the financial statements of the company	32,105	19,413
Amounts paid/payable to a related practice of the auditor for corporate finance services	-	27,000
	<u>32,105</u>	<u>46,413</u>
<b>NOTE 8 INCOME TAX EXPENSE</b>		
Income Tax expense/(benefit) comprises:		
<b>Current tax expense</b>		
Current tax expense/(benefit)	-	-
Adjustments for previous years	-	-
Total current income tax expense	<u>-</u>	<u>-</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total income tax expense/(benefit) in profit or loss	<u>-</u>	<u>-</u>
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit/(Loss) from operations before tax	(4,270,815)	(5,484,860)
Income tax calculated at 27.5%	(1,174,474)	(1,508,336)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non-deductible expenses	172,984	599,405
Assessable income not included in profit/loss	118,506	402,253
Other reconciling items	(48,789)	(31,241)
Timing differences on deferred tax assets not recognised	44,051	17,464
Tax losses not recognised	<u>887,722</u>	<u>520,456</u>
	<u>-</u>	<u>-</u>
The amount of gross tax losses relating to Australian operations that are carried forward is \$5,388,118 (2018: \$2,160,039).		
<b>NOTE 9 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1,588,487	928,242
Cash term deposits	8,132,705	-
	<u>9,721,192</u>	<u>928,242</u>
An amount of \$215,582 included as cash has been set aside to support a bank guarantee issued to the landlord of the rented premises.		
<b>NOTE 10 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	-	8,250
R&D refundable tax offset	2,448,344	2,313,591
Other receivables	-	158,769
	<u>2,448,344</u>	<u>2,480,610</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

	2019 AUD\$	2018 AUD\$
<b>NOTE 11 OTHER CURRENT ASSETS</b>		
Prepayments	141,438	-
Prepaid IPO Costs	-	406,015
Accrued Interests Receivable	74,777	-
	<u>216,215</u>	<u>406,015</u>
<b>NOTE 12 PROPERTY, PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	193,678	164,146
Accumulated depreciation	(58,191)	(24,533)
	<u>135,487</u>	<u>139,614</u>
Reconciliation of Plant and equipment		
Balance at the beginning of the year	139,614	-
Additions	29,532	164,146
Disposals	-	-
Depreciation expense	(33,658)	(24,533)
Closing carrying value	<u>135,487</u>	<u>139,614</u>
Total Property, Plant and Equipment	<u>135,487</u>	<u>139,614</u>
<b>NOTE 13 INTANGIBLE ASSETS</b>		
Product Development - Intellectual Property		
Intangible assets under development - at cost	13,017,713	6,949,088
Government Grants applied	(2,332,000)	(1,901,070)
R&D Refundable Tax Offset applied	(5,576,668)	(2,873,439)
Accumulated amortisation	-	-
	<u>5,109,045</u>	<u>2,174,579</u>
Reconciliation of Product Development - Intellectual Property		
Balance at the beginning of the year	2,174,579	787,367
Additions	6,068,625	5,161,873
Government Grants applied	(430,930)	(1,461,070)
R&D Refundable Tax Offset applied	(2,703,229)	(2,313,591)
Closing carrying value	<u>5,109,045</u>	<u>2,174,579</u>
Total Intangible Assets	<u>5,109,045</u>	<u>2,174,579</u>

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions.

No amortisation has been recognised as the intellectual property is not available for use as at 30 June 2019. The intangible asset is tested for impairment annually. The government grant relates to accelerating the commercialisation of the company's intellectual property.

The recoverable amount of the entity's intangible assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 4 year projection period approved by management and extrapolated for a further 4 years using a steady rate.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:

- 10% pre-tax discount rate;
- No revenue earned until 2021;
- 50% per annum projected revenue growth rate from 2021 to 2023;
- 20% per annum projected revenue growth rate from 2024 to 2027;
- 10% per annum increase in operating costs and overheads from 2021 to 2027.

The discount rate of 10% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is justified, based on the potential indicated in the market.

There were no other key assumptions.

**NOTE 14 TRADE AND OTHER PAYABLES**

Trade and other payables	424,013	1,015,540
Other payables and accruals	61,303	99,763
	<u>485,316</u>	<u>1,115,303</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 CONTRIBUTED EQUITY

	2019 No. of Shares	2019 AUD\$
<b>Share capital</b>		
Ordinary shares - authorised, issued and fully paid opening balance	125,708,946	12,954,139
Shares issued	46,590,528	16,306,690
Exercise of share options	90,449	31,657
Costs of issue	-	(195,192)
Ordinary shares - authorised, issued and fully paid closing balance	<u>172,389,923</u>	<u>29,097,294</u>

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Ordinary shares have no par value.

**Capital Management**

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year and the objectives for managing capital have been met.

NOTE 16 EARNINGS PER SHARE

	2019 AUD\$	2018 AUD\$
<i>Earnings per share for profit (loss)</i>		
Profit (loss) after income tax	(4,270,815)	(5,484,860)
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd	<u>(4,270,815)</u>	<u>(5,484,860)</u>
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd used in calculating diluted earnings per share	<u>(4,270,815)</u>	<u>(5,484,860)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.58)	(5.03)
Diluted earnings per share	(2.58)	(5.03)
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	165,823,930	109,097,161
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares if dilutive	-	-
Convertible notes	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>165,823,930</u>	<u>109,097,161</u>

The performance rights have not been taken into account when calculating diluted earnings per share as they are anti dilutive.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17 SHARE BASED PAYMENTS

No shares were issued to key management personnel in this financial year. In the year ended 30 June 2018 former key management personnel were issued 3,600,000 ordinary shares as a result of the cancellation and replacement of share based payment contracts.

A share option plan has been established by the company, whereby the company may, at the discretion of the board, grant Performance Rights (PR) over ordinary shares in the company to certain employees of the company. The PR are issued for nil consideration and are granted in accordance with performance guidelines established by the board.

Set out below are summaries of PR granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2/04/2019	1/07/2019	\$0.00	-	75,000	-	-	75,000
2/04/2019	14/01/2020	\$0.00	-	200,000	-	-	200,000
2/04/2019	15/01/2020	\$0.00	-	925,000	-	(200,000)	725,000
2/04/2019	1/07/2020	\$0.00	-	350,000	-	-	350,000
2/04/2019	15/01/2021	\$0.00	-	925,000	-	-	925,000
2/04/2019	15/01/2022	\$0.00	-	2,225,000	-	(1,250,000)	975,000
2/04/2019	15/01/2023	\$0.00	-	1,100,000	-	-	1,100,000
			-	5,800,000	-	(1,450,000)	4,350,000
<b>Weighted average exercise price</b>			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

There is no Performance Rights exercisable at the end of the financial year and no Performance Rights granted during 2018 financial year.

The weighted average share price during the financial year was \$0.30.

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 2.01 years (2018: Nil).

For the PR granted during the current financial year, the valuation model used for PR with market performance conditions is The American model while The Black Scholes model is used for PR with non-market performance conditions. The risk-free interest rates are based on the government bond yield for relevant periods. The expected volatility is based on the actual market volatility between 12/09/2018 and 2/04/2019 for the shares of the company. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
2/04/2019	1/07/2019	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.3050
2/04/2019	14/01/2020	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.3050
2/04/2019	15/01/2020	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.3050
2/04/2019	1/07/2020	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.3050
2/04/2019	15/01/2021	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.3050
2/04/2019	15/01/2022	\$0.305	\$0.00	99.50%	0.00%	1.40%	\$0.3050
2/04/2019	15/01/2023	\$0.305	\$0.00	99.50%	0.00%	1.40%	\$0.3050
2/04/2019	15/01/2021	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.2161
2/04/2019	15/01/2022	\$0.305	\$0.00	99.50%	0.00%	1.46%	\$0.2351

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

	2019 AUD\$	2018 AUD\$
<b>NOTE 18 CASH FLOW INFORMATION</b>		
Reconciliation of profit after income tax to net cash flow from operating activities		
Loss for the year	(4,270,815)	(5,484,860)
Non-cash flows in profit/(loss):		
- Depreciation and Amortisation	33,658	24,533
- Share Based Payments	103,339	2,173,765
- Foreign exchange differences	(3,215)	-
- IPO Cost Expensed	526,662	-
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	167,019	(143,541)
- (increase)/decrease in other current assets	(216,215)	(406,015)
- increase/(decrease) in trade and other payables	(629,987)	713,702
- increase/(decrease) in employee benefits	155,531	-
Net cash flow from operating activities	<u>(4,134,023)</u>	<u>(3,122,416)</u>

**NOTE 19 CONTINGENCIES**

*Contingent Liabilities*

At 30 June 2019 those charged with governance of the company note that there are no known contingent liabilities (2018: nil).

**NOTE 20 RELATED PARTY**

(a) **Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

- i. - Merchant Accounting, a company related to Robert Shepherd, charged accounting fees of \$6,000 during the year and no balance relating to these charges was outstanding at 30 June 2019.

(b) **Director and Director-related Interests in the Company**

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
<i>Ordinary shares</i>					
Robert Shepherd	7,107,594	-	-	-	7,107,594
Dana Larson	250,000	-	-	-	250,000
Kevin Moriarty	12,403,000	-	-	-	12,403,000
	<u>19,760,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,760,594</u>

**NOTE 21 KEY MANAGEMENT PERSONNEL COMPENSATION**

The totals of remuneration paid to KMP of the company during the year are as follows:

	2019 AUD\$	2018 AUD\$
Short-term employee benefits	754,399	411,866
Post-employment benefits	60,162	29,105
Other long term benefits	12,686	987
Share-based payments	26,393	50,000
<b>Total KMP compensation</b>	<u>853,641</u>	<u>491,957</u>

These amounts represent the company's employee benefits expense for the year.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

**NOTE 22 FINANCIAL RISK MANAGEMENT**

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 AUD\$	2018 AUD\$
<b>Financial Assets</b>			
Financial Assets at amortised cost:			
Cash and cash equivalents	9	9,721,192	928,242
Trade and other receivables - R&D tax refund	10	<u>2,448,344</u>	<u>2,480,610</u>
<b>Total financial assets</b>		<u><u>12,169,536</u></u>	<u><u>3,408,852</u></u>
<b>Financial Liabilities</b>			
Financial Liabilities at amortised cost:			
Trade and other payables	14	<u>485,316</u>	<u>1,115,303</u>
<b>Total financial liabilities</b>		<u><u>485,316</u></u>	<u><u>1,115,303</u></u>

**General objectives, policies and processes**

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

**Market Risk**

The company's activities have no material exposure to financial risks of changes in interest rates. The company analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on its effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

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

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

In order to protect against exchange rate movements, the company is holding deposits of foreign currency to cover major commercial cost in foreign currency. The foreign currency amounts were purchased around the time the future commitments were entered into to secure the costs in Australian Dollar.

**Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company does not have any material credit risk exposure to any single debtor or company of debtors under financial instruments entered into by the company, except for the Australian Taxation Office which is the counterparty to the R&D refundable tax offset shown in note 10. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

**Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The directors manage liquidity risk by monitoring forecast cash flows and ensuring that the company's operations are adequate to meet liabilities due.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	AUD\$ 2019	AU\$ 2018	AU\$ 2019	AU\$ 2018	AUD\$ 2019	AUD\$ 2018	AUD\$ 2019	AUD\$ 2018
<b>Financial liabilities due for settlement</b>								
Trade and other payables	485,316	1,115,303	-	-	-	-	485,316	1,115,303
Total expected outflows	485,316	1,115,303	-	-	-	-	485,316	1,115,303

Financial assets - cash flows realisable

Cash at bank	1,588,487	928,242	-	-	-	-	1,588,487	928,242
Trade and other receivables	2,448,344	2,480,610	-	-	-	-	2,448,344	2,480,610
Cash term deposits	8,132,705	-	-	-	-	-	8,132,705	-
	12,169,536	3,408,852	-	-	-	-	12,169,536	3,408,852

Sensitivity Analysis

Interest rate risk

At 30th June 2019 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$9,721,192. A +/-1% change in interest rates during the year ended 30th June 2019 will result in a +/- change in net interest income of \$97,212.

At 30th June 2018 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$928,242. A +/-1% change in interest rates during the year ended 30th June 2018 will result in a +/- change in net interest income of \$9,280.

Management has considered that both a positive and negative 1% variance is sufficient to illustrate the potential variations in interest income.

Foreign currency risk

	Assets		Liabilities	
	2019 AUD\$	2018 AUD\$	2019 AUD\$	2018 AUD\$
Cash at bank held in or trade payables denominated in				
US dollars	356,053	-	-	513
Euros	-	-	8,989	36,549
	356,053	-	8,989	37,062

The company had net assets denominated in foreign currencies of \$347,064 as at 30 June 2019 (2018: net liabilities \$37,062).

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2018: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the company's profit before tax for the year would have been \$34,706 higher/\$17,352 lower (2018: \$1,853 lower/\$1,853 higher) and equity would have been \$34,706 higher/\$17,352 lower (2018: \$1,853 lower/\$1,853 higher).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

The actual foreign exchange gain for the year ended 30 June 2019 was \$2,951 (2018: loss of \$43,410).

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NOTES TO THE FINANCIAL STATEMENTS  
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	2019	2018
	AUD\$	AUD\$
<b>NOTE 23 COMMITMENTS FOR EXPENDITURE</b>		
<i>Operating leases commitments - minimum lease payment due:</i>		
Within 1 Year	312,401	398,571
Greater than 1 year and not greater than 5 years	20,093	322,741
Greater than 5 years	-	-
	<u>332,495</u>	<u>721,312</u>

Terms of lease arrangements

The Company has in place an operating underlease for its principal place of business which expires on 29/02/2020

The Company has in place an operating lease for its industrial facilities which expires on 31/08/2020

**NOTE 24 SUBSEQUENT EVENTS**

Nil.

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**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of 1414 Degrees Limited, the directors of the company declare that:

- 1 The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are prepared in accordance with Australian Accounting Standards and present fairly the company's financial position as at 30 June 2019 and its performance for the year ended on that date.
- 2 The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 3 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Kevin Moriarty  
Executive Chairman

Adelaide

Dated this 30th day of August 2019

**DECLARATION OF INDEPENDENCE  
BY ANDREW TICKLE  
TO THE DIRECTORS OF 1414 DEGREES LIMTIED**

As lead auditor of 1414 Degrees Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Tickle  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 30 August 2019

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 1414 DEGREES LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of 1414 Degrees Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of 1414 Degrees Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### Key audit matters

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

## Intangible Asset

Key audit matter	How the matter was addressed in our audit
<p>The carrying value of the intangible asset product development - intellectual property as set out in note 13 is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>▶ The significance of the total balance (29% of total assets)</li> <li>▶ The level of audit procedures undertaken to evaluate management’s application of the recognition criteria for internally generated intangible assets required by AASB 138 Intangible Assets.</li> <li>▶ The level of judgment applied by management and inherent subjectivity in their assessment of the potential impairment of the asset and compliance with the requirements of AASB 136 Impairment of Assets.</li> </ul>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▶ Assessing the composition of development costs and the capitalisation criteria against the requirements of AASB 138 - Intangible Assets.</li> <li>▶ Agreeing a sample of additions to supporting documentation, and ensuring the amounts were appropriately capitalised.</li> <li>▶ Obtaining an understanding of the key processes and controls associated with the allocation of costs to the product development category.</li> <li>▶ Assessing the results of trials of the prototype product and the potential market size for similar applications of the technology in future.</li> <li>▶ Assessing and evaluating management’s assumptions and calculations of the value in use assessment of future cash flows.</li> <li>▶ Considering key assumptions, including forecasted cash flows against the latest board approved budgets and assessing the discount rate using our own valuation specialist.</li> <li>▶ Performing sensitivity analysis on the key financial assumptions of forecasted cash flows and discount rate in the model and considering the likelihood of such movements in such key assumptions.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information contained in the Company’s annual report for the year ended 30 June 2019, 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 3 to 7 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of 1414 Degrees Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.



### **Responsibilities**

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

A handwritten signature in blue ink that reads 'BDO'.

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink that reads 'Andrew Tickle'.

Andrew Tickle

Director

Adelaide, 30 August 2019

## ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 August 2019.

### Share Capital

- 172,389,923 fully paid Ordinary Shares are held by 3,254 individual Shareholders.
- 32,015,865 Restricted Ordinary Shares (until 10-9-2020) are held by 12 individual Shareholders. FOCEM PTY LTD <TOWARNIE SUPER FUND A/C> holds 12,403,000 (38.7%) of these Restricted Ordinary Shares.
- 15,826,839 Ordinary Shares are subject to Voluntary Escrow; 7,282,312 until 30-6-2020 held by one Shareholder, and 8,544,527 until 1-9-2019 held by one Shareholder.
- 11,557,293 Listed Options with an exercise price of 35 cents per Option, expiring 21-8-2020 are held by 1,835 individual holders.
- 5,800,000 Unlisted Performance Rights with various performance hurdles are held by 16 individual holders. GRANT MATHIESON holds 1,450,000 (25%) of these Performance Rights.
- All Ordinary Shares carry one vote per share.
- There is no current on-market buyback.

### Distribution of Equity Securities

The number of shareholders, by size of holding, in each class are:

Range	Securities	%	No. of holders	%
100,001 and Over	120,715,895	70.02%	178	5.47%
10,001 to 100,000	42,329,053	24.55%	1,399	42.99%
5,001 to 10,000	7,513,690	4.36%	1,001	30.76%
1,001 to 5,000	1,814,493	1.05%	643	19.76%
1 to 1,000	16,792	0.01%	33	1.01%
<b>Total</b>	<b>172,389,923</b>	<b>100.00%</b>	<b>3,254</b>	<b>100.00%</b>
Unmarketable Parcels at 23.5 cents per share			292	8.97%

### Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)

	No. of Shares Held	%
FOCEM PTY LTD <TOWARNIE SUPER FUND A/C>	12,403,000	7.20%
MR HAROLD TOMBLIN + MRS JUDITH JOHNSTON <HAROLD TOMBLIN S/F A/C>	10,814,527	6.27%
MATTHEW JOHNSON / SUSAN JOHNSON	9,973,487	5.80%

### Twenty largest holders of Quoted Ordinary Shares

Rank	Name	No. of Shares Held	%
1	MR HAROLD TOMBLIN + MRS JUDITH JOHNSTON <HAROLD TOMBLIN S/F A/C>	10,514,670	7.49%
2	MR JOHN MOSS + MRS WENDY MOSS <MOSS RETIREMENT A/C>	8,567,427	6.10%
3	MEWTWO GLOBAL INVESTMENTS LLC	4,333,333	3.09%
4	MR JOHN LANGLEY HANCOCK	3,438,333	2.45%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,150,789	2.24%
6	LHO LA PTY LTD <ACME FOUNDATION A/C>	2,000,000	1.42%
7	KNIGHTS VALLEY LTD	1,666,500	1.19%
8	PACIFIC COMMUNICATION AND INVESTMENT CONSULTANTS PTY LTD	1,583,558	1.13%
9	BENGER SUPERANNUATION PTY LTD <BENGER SUPERFUND A/C>	1,450,000	1.03%
10	CITICORP NOMINEES PTY LIMITED	1,385,877	0.99%
11	RANAT INVESTMENTS PTY LTD <MARANANGA A/C>	1,250,000	0.89%
11	MR PIERRE ANDRE VAN DER MERWE + MRS LOUISE VAN DER MERWE <P & L SUPER FUND A/C>	1,250,000	0.89%
13	MARHFEL PTY LTD <HUNTLEY A/C>	1,125,000	0.80%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,078,973	0.77%
15	AMMJOHN PTY LTD	1,026,171	0.73%
16	FRANK MARKERT PTY LTD	1,015,299	0.72%
17	AMACHONG NOMINEES PTY LTD <JOHN CHONG MED SERV S/F A/C>	1,000,000	0.71%
17	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR	1,000,000	0.71%
17	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR <IAN BURDON S/F A/C>	1,000,000	0.71%
17	MR JOHN YOK HONG CHONG + MRS ANNE CHONG	1,000,000	0.71%
17	SEBALLIE PTY LTD <RIEBOLGE SUPER FUND A/C>	1,000,000	0.71%
17	DR MICHAEL ROBERT SNOW	1,000,000	0.71%
17	WICKS FAMILY SUPER PTY LTD <WICKS FAMILY SUPER FUND A/C>	1,000,000	0.71%
17	DR JOHN YANG	1,000,000	0.71%
	<b>Total</b>	<b>52,835,930</b>	<b>37.64%</b>
	<b>Balance of register</b>	<b>87,538,128</b>	<b>62.36%</b>
	<b>Grand total</b>	<b>140,374,058</b>	<b>100.00%</b>

## Twenty largest holders of Quoted Options

Rank	Name	No. of Options Held	%
1	MR PARAMJIT SINGH NAGRA + MRS SURINDER KAUR NAGRA <PSN SUPERANNUATION FUND A/C>	208,732	1.81%
2	WILLIAM BAMBLING + JOYCE BAMBLING	150,000	1.30%
3	AMIR KARLINER + TANIA KARLINER <A & T KARLINER FAMILY A/C>	125,000	1.08%
4	MR IAN STUART FISHER	100,000	0.87%
5	DARLING & CO PTY LTD	88,375	0.76%
6	MR JOHN EDGAR FISHER	75,000	0.65%
6	JOHN GRAHAM WARBURTON	75,000	0.65%
6	MHK INVESTMENTS PTY LTD <NEIL ANDREW KEYTE A/C>	75,000	0.65%
6	MR MARK WILLIAM WILLIAMS + MRS KATRINA ANN WILLIAMS <MARKAT SUPERFUND A/C>	75,000	0.65%
6	MR SIMON JOHN MORAN + MRS CHRISTINE JOYCE MORAN <WIRRILDA SUPER FUND A/C>	75,000	0.65%
11	ENVIROMATTERS PTY LTD <STARDUST SUPERANNUATION A/C>	72,500	0.63%
12	MR ANDREW ROBERT RAMSDEN	71,429	0.62%
13	CITICORP NOMINEES PTY LIMITED	71,411	0.62%
14	RIVERSLEIGH ASSETS PTY LTD <RIVERSLEIGH ASSETS SUPE A/C>	71,250	0.62%
15	MR JOHN EDGAR FISHER + MRS MARYANN FISHER <FISHER FAMILY S/F A/C>	68,750	0.59%
16	MR KIERAN MAURICE MORAN	63,685	0.55%
17	MICHAEL MASON <MICHAEL MASON A/C>	53,100	0.46%
18	AEROFEN PTY LTD <HOOLE SUPER FUND A/C>	50,000	0.43%
18	BROWNBOX PROPERTY PTY LTD <ADRIAN BROWN PROPERTY A/C>	50,000	0.43%
18	INVIA CUSTODIAN PTY LTD <MARTIN CARL ALBRECHT A/C>	50,000	0.43%
18	MR MARTIN SULLIVAN	50,000	0.43%
18	NAYLOR-STEWART INVESTMENTS PTY LTD <NAYLOR-STEWART FAMILY A/C>	50,000	0.43%
18	R & C SWANN PTY LTD <R & C SWANN SUPER FUND A/C>	50,000	0.43%
18	STEVEN CHRISTOPHER CONROY + MARGARET ANNE CONROY <CONROY SUPER FUND A/C>	50,000	0.43%
	<b>Total</b>	<b>1,869,232</b>	<b>16.17%</b>
	<b>Balance of register</b>	<b>9,688,061</b>	<b>83.83%</b>
	<b>Grand total</b>	<b>11,557,293</b>	<b>100.00%</b>

## Business Objectives & Use of Cash

1414 Degrees Limited has used Cash and Cash Equivalents held at the time of listing in a manner consistent with its stated business objectives.

1414DEGREES.COM.AU



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