



Annual Report for the period from incorporation on 9 March 2020 to 30 June 2021

APM Human Services International Limited (*formally
known as APM Human Services International Pty Ltd*)

ABN 38 639 621 766

APM Human Services International Limited

Annual Report

For the period from incorporation on 9 March 2020 to 30 June 2021

ABN: 38 639 621 766

Business address:

58 Ord Street
West Perth
WA 6005

Postal address:

PO Box 1752
West Perth
WA 6872

Auditors:

PricewaterhouseCoopers

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The financial statements are the consolidated financial statements of APM Human Services International Limited and its subsidiaries. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 26 October 2021.

APM Human Services International Limited

Directors' Report

For the period from incorporation on 9 March 2020 to 30 June 2021

Your directors present their report on the consolidated entity consisting of APM Human Services International Limited ("company") and the entities it controlled at the end of, or during, the period ended 30 June 2021. Throughout the report, the consolidated entity is referred to as the group.

Directors and company secretary

The following persons were directors of APM Human Services International Limited at any time or since the end of the financial period and up to the date of this report:

- Megan Wynne
- Michael Anghie
- Timothy Sullivan
- Elizabeth Betten
- William Ritchie
- Robert Melia
- Simone Blank

Elizabeth Betten and William Ritchie were appointed as directors on incorporation on 9 March 2020 and both continue in office at the date of this report. Megan Wynne, Michael Anghie, Timothy Sullivan and Robert Melia were appointed as directors on 30 June 2020 and continue in office at the date of this report. Simone Blank was appointed as a director on 23 July 2020 and continues in office at the date of this report.

The company secretary is Stephen Farrell after he was appointed to the position of company secretary on 1 September 2020.

Principal activities

The group's principal activities by segment are:

- Australia - Employment Services, Health & Wellbeing, Communities and Assessment, Disability and Aged Care Support Services
- APAC (including New Zealand, Korea and Singapore) – Employment Services, Health & Wellbeing, Communities and Assessment
- Europe/UK (including Germany, Switzerland, Spain and the UK) - Employment Services, Health & Wellbeing, Communities and Assessment
- North America (including Canada and the USA) - Employment Services, Health & Wellbeing

Dividends

No dividends were declared during or since the end of the financial period.

Review of operations

Total income for the period was \$1,029.2 million generating a net loss after income tax of \$1.9 million.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial period. The COVID-19 pandemic has not had a material impact on the group's financial performance during FY21. Any impact on performance-based conversions has been materially offset by increases to the volume of participants in our programs. There has been no impact to asset values and revenue has been in line with the group's budget. However, the continued impact of the COVID-19 pandemic, including the continued imposition of government restrictions and the broader impacts on the Australian and global economies, may impact group performance in FY22.

APM Human Services International Limited

Directors' Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

Events subsequent to period end

On 2 July 2021, the group repriced its external debt facilities, resulting in a reduced interest rate on the debt and an increase to the amount of debt denominated in USD. There was an unconditional right to defer settlement of the external debt facilities at the balance date. The refinancing of these facilities was considered to be qualitative modifications, with a \$24.6 million loss incurred on extinguishment (inclusive of costs incurred). The group also made two acquisitions post year-end, namely Generation Health Pty Ltd on 31 July 2021 for a purchase price of \$20.4 million, and The Kaiser Group (DE), LLC on 31 August 2021 for a purchase price of \$22.7 million.

On 31 July 2021, the group acquired 100% of Generation Health Pty Limited for \$20.4 million. The strategic rationale for the acquisition was to expand the Workcare business in Australia.

On 31 August 2021, the group acquired 100% of The Kaiser Group (DE), LLC for \$22.7 million. The strategic rationale for the acquisition was to expand the Workforce development business in the USA.

On 13 October 2021, APM entered into an agreement for the acquisition of ancillary and complementary businesses from entities controlled by Megan Wynne (and one entity in which Megan Wynne and Michael Anghie have a beneficial interest), which remains subject to conditions precedent being met. The consideration for this acquisition is the issue of \$65.8 million of APM shares, \$35.7 million in cash, and up to a maximum of 20 million deferred settlement shares that are subject to earn-out conditions. The acquired businesses will support APM's expansion into providing services in relation to Australia's NDIS and Aged Care sector. The transaction involves the direct or indirect acquisition of Early Start Australia Pty Ltd, Integra Care Pty Ltd, Mobility Holdings Pty Ltd and Mobility Australia Pty Ltd.

On 14 October 2021, the company changed its name from APM Human Services International Pty Ltd to APM Human Services International Limited. The name change has been reflected in these accounts.

No other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

Likely developments and expected results of operations

The group is focused on growing its core service areas in Australia and overseas.

The continued impact of the COVID-19 pandemic, in particular the continued imposition of government restrictions and the broader impacts on the economy, may impact the group's performance in FY22. That impact (if any) cannot currently be determined.

The Board and Executive Leadership Team continue to monitor the situation closely and to take action in response as appropriate and as recommended by governments and health authorities.

Environmental regulation

The group's operations are not subject to any significant environmental regulations or laws in Australia.

Share options

The company agreed to award incentive shares to certain members of the management team subject to the satisfaction of specified vesting and other conditions. A full description of the terms of those incentive shares, including the numbers of options issued, is contained in note 20. Unissued ordinary shares of the company under option at the date of this report are as follows:

APM Human Services International Limited
Directors' Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

Share options (continued)

| Date options granted | Number under option |
|-----------------------------|----------------------------|
| 30 June 2020 | 4,475,930 |
| 30 September 2020 | 52,191 |
| 31 December 2020 | 292,564 |
| 30 June 2021 | 234,055 |
| 31 July 2021 | 52,191 |
| 31 August 2021 | 40,000 |
| | 5,146,931 |

Included in these options were options granted as remuneration to the five most highly remunerated officers during the year. Details of options granted to key management personnel are disclosed on page 52.

Insurance of officers and indemnities

A premium was paid by APM Human Services International Limited, to insure the directors, secretary and senior managers of APM Human Services International Limited and its subsidiaries. The premium paid covers legal costs that may be incurred defending civil or criminal proceedings that may be brought against these officers in their capacity as officers of group companies. The premium paid does not cover wilful breaches of duty, improper use of information causing damage to the group.

Indemnifying of auditor

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

APM Human Services International Limited

Directors' Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

Information on directors

The following information is current as at the date of this report:

Megan Wynne (APM Founder and Managing Director)

Experience and expertise:

Megan established APM in January 1994 and was Managing Director until 2020 when she became Executive Chair.

Megan has been responsible for driving APM's strategy and growth over the past 27 years.

Megan is an Occupational Therapist and has a background in vocational rehabilitation. While working in the Department of Rehabilitation Medicine at Royal Perth Rehabilitation Hospital, she established a private Occupational Therapy practice at St John of God Hospital in 1990, and subsequently went on to manage the Vocational Rehabilitation and Occupational Therapy Services of Perth Pain Management Centre.

Megan holds a Master of Science (Rehabilitation), a Post Graduate Diploma (Health Sciences), and a Bachelor of Applied Science (Occupational Therapy), Curtin University of Technology.

Michael Anghie (APM Group Chief Executive Officer)

Michael joined APM in March 2018 as Group Chief Executive Officer and was appointed to the Board.

Prior to joining APM, Michael held a number of senior leadership roles across Oceania and Asia at global professional services firm, Ernst & Young. His most recent positions were Managing Partner, Western Region; Managing Partner, Oceania Strategic Growth; and Managing Partner, Growth Markets, Asia Pacific.

Michael has strong relationships across Government, Corporate and Community groups. He has a mergers and acquisitions background.

Michael is also involved in a number of not-for-profits including as Chairman of Celebrate WA and is a former Director of the Art Gallery of Western Australia.

Michael holds a Bachelor of Business from Curtin University.

Timothy P. Sullivan (Managing Director - Health Care, MDP)

Tim was appointed to the Board of APM in 2020 as a Non-Executive Director.

Tim is a Managing Director and a co-founder at MDP, a leading private equity firm based in Chicago Illinois. Since MDP's formation in 1992, the firm has raised eight funds with aggregate capital of over \$22 billion and has completed investments in 140 companies across a broad spectrum of industries.

Tim has over 30 years of private equity experience and manages the Healthcare Practice at MDP. Prior to co-founding MDP in 1992, Tim was with First Chicago Venture Capital after serving as an Officer in the US Navy for over 7 years of active duty.

He currently serves on the Board of Directors of Alcami Holdings, Performance Health, Kaufman Hall LLC, Solis Mammography, Syntellis Performance Solutions and NASDAQ listed Option Care Health. He also serves on the Board of Trustees of Northwestern University, Northwestern Memorial Healthcare, The United States Naval Academy Foundation, Stanford Graduate School of Business Advisory Council, and The Big Shoulders Fund.

APM Human Services International Limited

Directors' Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

Information on directors (continued)

Additionally, he serves on the Archdiocese of Chicago Investment Committee and is a member of the Archdiocese of Chicago Finance Committee.

Tim holds a Bachelor of Science from the United States Naval Academy, a Master of Science from the University of Southern California, and a Master of Business Administration from Standard University Graduate School of Business.

Elizabeth Betten (Managing Director - Health Care, MDP)

Elizabeth was appointed to the Board of APM in 2020 as a Non-Executive Director.

Elizabeth currently serves on the Board of Directors of Benefytt Technologies, Option Care Health, Inc. (Nasdaq: OPCH) and Solis Mammography, formerly served on the Board of Directors of Ikaria and was actively involved with Sirona Dental Systems. Elizabeth joined MDP in 2004 as an associate and re-joined after business school in 2008. Prior to MDP, she worked in investment banking in the health care group at J.P. Morgan.

Elizabeth also serves on the Board of the Stanley Manne Children's Research Institute of the Ann & Robert Lurie Children's Hospital of Chicago and the Stanford Graduate School of Business Trust. She is a Trustee of The Civic Federation and is also a member of The Chicago Network.

Elizabeth holds a Bachelor of Arts from Brown University and Master of Business Administration from Stanford University Graduate School of Business.

APM Human Services International Limited

Directors' Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

Information on directors (continued)

William E. Ritchie (Director - Health Care, MDP)

Will was appointed to the Board of APM in 2020 as a Non-Executive Director.

Will is a Director at MDP with the Health Care team. Prior to MDP, he was an Investment Banking Analyst in the Consumer, Retail and Healthcare Group at J.P. Morgan.

Will serves on the Boards of Directors of APM, InMoment, Kaufman Hall, Liquid Web and Syntellis Performance Solutions, and he is actively involved in MDP's investments in Centennial Towers and The Ardonagh Group.

Will holds a Bachelor of Arts from Yale University and a Master of Business Administration from Stanford University Graduate School of Business.

Robert Melia

Robert (Bob) was appointed to the Board of APM in 2020 as an Independent Non-Executive Director.

Bob has more than 30 years' experience in managing and growing human services businesses. He is experienced in helping governments design and deliver programs for the long-term unemployed, adults with intellectual disabilities and at-risk youth.

Bob began his career in Massachusetts State Government where he worked in budget planning, tax policy analysis and child support enforcement. His private sector experience spans over 20 years, primarily with MAXIMUS where he served as President of the Workforce Services Division and The Mentor Network, where he served as an operating group president and as Chief Development Officer.

Bob's experience includes work in the US, UK and Australia and covers acquisitions and divestments, business development, operations management, and contract negotiation.

Bob holds a Master of Human Services Management from Brandeis University and a Bachelor of Arts from Massachusetts Amherst.

APM Human Services International Limited

Directors' Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

Information on directors (continued)

Simone Blank

Simone was appointed to the Board of APM in 2020 as an Independent Non-Executive Director.

Since 2018 Simone serves on the Board of Evolus Inc. a performance beauty company listed on Nasdaq and has served on the Boards of several private healthcare companies since 2013. From May 2006 to October 2013, Simone served as a member of the Board of Sirona Dental Systems Inc., or Sirona, a dental technology manufacturer previously listed on Nasdaq. From July 1999 to October 2013, she served as Executive Vice President and Chief Financial Officer of Sirona.

Prior to July 1999, Simone was an engagement manager in the merger and acquisition transaction group of PricewaterhouseCoopers after having gained global financial experience as a certified public accountant and tax advisor.

Simone is also the co-owner of a private investment company.

Simone holds a Master of Economics from the University of Duisburg.

Meetings of directors

The numbers of meetings of the company's Board of Directors and Audit Committee held during the period ended 30 June 2021, and the numbers of meetings attended by each director were:

| | Board of Directors | | Audit Committee | | Compensation Committee | |
|------------------|--------------------|----------|--------------------|----------|------------------------|----------|
| | Eligible to Attend | Attended | Eligible to Attend | Attended | Eligible to Attend | Attended |
| Megan Wynne | 4 | 4 | - | - | 4 | 4 |
| Michael Anghie | 4 | 4 | - | - | - | - |
| Timothy Sullivan | 4 | 4 | - | - | 4 | 4 |
| Elizabeth Betten | 4 | 4 | 4 | 4 | 4 | 4 |
| William Ritchie | 4 | 4 | 4 | 4 | - | - |
| Robert Melia | 4 | 4 | - | - | - | - |
| Simone Blank | 4 | 4 | 4 | 4 | - | - |

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 on page 11.

APM Human Services International Limited
Directors' Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

Non-audit services

Written approval for non-audit services is provided by resolution of the Audit Committee and approval is notified to the Board of Directors.

There were no significant non-audit services provided by the auditors of the group during the period, therefore auditor independence was not compromised.

Rounding of amounts

The group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial/Directors' Report. The company is an entity to which the Class Order applies.

The Directors' Report is signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Michael Anghie', is written in a cursive style.

Michael Anghie
Director

West Perth
26 October 2021



Auditor's Independence Declaration

As lead auditor for the audit of APM Human Services International Limited for the period 9 March 2020 to 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APM Human Services International Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to be 'W P R Meston', written over a faint, light blue grid background.

William P R Meston
Partner
PricewaterhouseCoopers

Perth
26 October 2021

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Liability limited by a scheme approved under Professional Standards Legislation.

APM Human Services International Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the period from incorporation on 9 March 2020 to 30 June 2021

| | Note | For the period from incorporation on 9 March 2020 to 30 June 2021 \$'000 |
|---|------|---|
| Revenue from contracts with customers | 4 | 999,113 |
| Other income | 5 | 17,314 |
| Other gains | 5 | 12,801 |
| Total income | | 1,029,228 |
| People costs | 5 | (609,890) |
| Client support costs | | (78,554) |
| Administration | 5 | (44,042) |
| Marketing | | (7,256) |
| Travel expenses | | (3,954) |
| Occupancy expenses | 5 | (23,918) |
| Other operating costs | 5 | (16,850) |
| Depreciation and amortisation | 5 | (103,180) |
| Net finance cost | 7 | (132,905) |
| Profit before income tax | | 8,679 |
| Income tax expense | 6 | (10,598) |
| Loss for the period | | (1,919) |
| Other comprehensive loss, net of tax | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translation of foreign operations | 17 | (2,600) |
| Total comprehensive loss for the period | | (4,519) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

APM Human Services International Limited
Consolidated Statement of Financial Position
As at 30 June 2021

| | Note | 2021 \$'000 |
|--------------------------------------|------|------------------|
| Current assets | | |
| Cash and cash equivalents | 8 | 106,781 |
| Trade and other receivables | 9 | 87,477 |
| Accrued revenue | 4 | 100,691 |
| Prepayments | | 19,834 |
| Total current assets | | 314,783 |
| Non-current assets | | |
| Deferred tax assets | 6 | 14,575 |
| Property, plant and equipment | 11 | 30,345 |
| Right-of-use assets | 10 | 75,680 |
| Intangible assets | 12 | 1,729,611 |
| Prepayments | | 1,402 |
| Other non-current assets | | 6,208 |
| Total non-current assets | | 1,857,821 |
| Total assets | | 2,172,604 |
| Current liabilities | | |
| Trade and other payables | 13 | 52,548 |
| Accrued expenses | 13 | 61,956 |
| Interest-bearing liabilities | 14 | 31,536 |
| Current tax liabilities | | 29,470 |
| Deferred revenue | 4 | 78,202 |
| Provisions | 16 | 28,615 |
| Total current liabilities | | 282,327 |
| Non-current liabilities | | |
| Deferred tax liabilities | 6 | 98,951 |
| Interest-bearing liabilities | 14 | 757,795 |
| Shareholder loans | 15 | 965,538 |
| Provisions | 16 | 20,275 |
| Other non-current liabilities | | 4,145 |
| Total non-current liabilities | | 1,846,704 |
| Total liabilities | | 2,129,031 |
| Net assets | | 43,573 |
| Equity | | |
| Contributed equity | 17 | 47,345 |
| Reserves | 17 | (1,853) |
| Accumulated losses | | (1,919) |
| Total equity | | 43,573 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

APM Human Services International Limited
Consolidated Statement of Changes in Equity
For the period from incorporation on 9 March 2020 to 30 June 2021

| | Note | Ordinary shares \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|---|--------|---------------------------|--------------------|---------------------------------|---------------------------|
| Balance at 9 March 2020 | | - | - | - | - |
| Loss for the period | | - | - | (1,919) | (1,919) |
| Exchange differences on translation of foreign operations | 17 | - | (2,600) | - | (2,600) |
| Total comprehensive loss, net of tax | | - | (2,600) | (1,919) | (4,519) |
| Movement in shares on issue | 17 | 47,345 | - | - | 47,345 |
| Employee share schemes | 17, 20 | - | 747 | - | 747 |
| Balance at 30 June 2021 | | 47,345 | (1,853) | (1,919) | 43,573 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

APM Human Services International Limited
Consolidated Statement of Cash Flows
For the period from incorporation on 9 March 2020 to 30 June 2021

| | Note | For the period ended 30 June 2021 \$'000 |
|--|-----------|---|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST & VAT) | | 995,636 |
| Payments to suppliers and employees (inclusive of GST & VAT) | | (768,825) |
| Interest received | | 200 |
| Income tax paid | | (8,012) |
| Net cash flows from operating activities | 21 | 218,999 |
| Cash flows used in investing activities | | |
| Payment for property, plant and equipment | | (16,175) |
| Payment for investments, net of cash acquired | | (1,234,887) |
| Net cash used in investing activities | | (1,251,062) |
| Cash flows from financing activities | | |
| Proceeds from issues of shares – debt instrument | | 497,243 |
| Proceeds from issues of shares – equity instrument | | 26,171 |
| Proceeds from borrowings | | 712,845 |
| Principal elements of lease payments | | (41,900) |
| Interest paid | | (56,486) |
| Net cash from financing activities | | 1,137,873 |
| Net increase in cash and cash equivalents held | | 105,810 |
| Cash at beginning of period | | - |
| Net foreign exchange differences | | 971 |
| Cash and cash equivalents at the end of the period | 8 | 106,781 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

APM Human Services International Limited

Notes to the Financial Report

For the period from incorporation on 9 March 2020 to 30 June 2021

1 About this report

APM Human Services International Limited (referred to as 'APM') is a for-profit company limited by shares incorporated and domiciled in Australia. The nature of the operations and principal activities of APM and its subsidiaries (referred to as 'the group') are described in the segment information. This is the first set of financial statements prepared since the date of the incorporation on 9 March 2020.

The consolidated financial report of the group for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 26 October 2021.

The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis unless noted otherwise;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- except as outlined in note 28, has not early adopted Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

(a) Significant changes in the current period

There were no significant changes in the state of affairs of the group during the financial period.

The COVID-19 pandemic has not had a material impact on the group's financial performance during FY21. There has been no impact to asset values and revenue has been in line with the group's budget. However, the continued impact of the COVID-19 pandemic, including the continued imposition of government restrictions and the broader impacts on the Australian and global economies, may impact group performance in FY22.

(b) Key judgements and estimates

In the process of applying the group's accounting policies, management has made a number of judgements and applied estimates of future events. The ongoing impact of COVID-19 has been considered in the preparation of these consolidated financial statements and in applying the group's key judgements and estimates. The directors have reviewed liquidity and cash flow forecasts, as well as critical accounting estimates and judgements for the group. As these are subject to increased uncertainty, actual outcomes may differ from the applied estimates.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

1 About this report (continued)

(b) Key judgements and estimates (continued)

Judgements and estimates which are material to the financial report are found in the following notes:

- Note 4 Revenue
- Note 6 Income tax expense
- Note 10 Leases
- Note 12 Intangible assets
- Note 16 Provisions
- Note 20 Share-based payments

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the group. A list of controlled entities (subsidiaries) at period end is contained in note 26.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intragroup transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(d) Foreign currency

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance date and the income statements are translated at the average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

1 About this report (continued)

(e) Impairment of assets (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

2 Segment information

(a) Description of segments and principal activities

The group operates in the human services industry across ten countries, and it considers its operating segments to be the geographical regions it operates in.

The group's Board, Group Chief Executive Officer and Group Chief Financial Officer (the chief operating decision-makers or "CODM's") examine the group's performance from a geographic perspective and have identified four reportable segments of its business.

The operating segments are as follows:

- Australia - Employment Services, Health & Wellbeing, Communities and Assessment, Disability and Aged Care Support Services
- APAC (including New Zealand, Korea and Singapore) – Employment Services, Health & Wellbeing, Communities and Assessment
- Europe/UK (including Germany, Switzerland, Spain and the UK) - Employment Services, Health & Wellbeing, Communities and Assessment
- North America (including Canada and the USA) - Employment Services, Health & Wellbeing

The CODM's primarily uses the contribution of its segments prior to financing, taxation and non-cash items to assess the performance of the operating segments (Gross contribution).

(b) Gross contribution

Gross contribution is calculated utilising billings less the operating costs of the business and property and lease costs. Gross contribution excludes non-cash items such as accrued revenue, share-based payments and unrealised foreign exchange movements. The CODM's use this measure as it best represents the operating cash generation potential of the business prior to the funding costs of finance and taxation, which allows for continued operation, the investment in growth and expansion into new sectors and regions. These items are included in the reconciliation to profit before income tax below.

Transactions between operating segments are eliminated within the Gross contribution information.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

2 Segment information (continued)

(b) Gross contribution (continued)

| | 2021 |
|---------------------------------|----------------|
| | \$'000 |
| Australia | 145,468 |
| APAC | 12,685 |
| Europe/UK | 18,948 |
| North America | 10,886 |
| Total Gross contribution | 187,987 |

Gross contribution reconciles to profit before income tax as follows:

| | |
|---|--------------|
| Variable consideration - revenue arrangements | 19,976 |
| Lease payments included in operating expenses | 33,963 |
| Net finance costs | (132,905) |
| Depreciation and amortisation | (103,180) |
| Other | 2,838 |
| Profit before income tax | 8,679 |

(c) Segment results

| | Australia | APAC | Europe/UK | North America | Consolidated |
|--|------------------|---------------|------------------|----------------------|---------------------|
| | 2021 | 2021 | 2021 | 2021 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment revenue | | | | | |
| Revenue from contracts with customers | 528,738 | 85,126 | 258,301 | 126,948 | 999,113 |
| Other income | 2,014 | 1,205 | 14,001 | 94 | 17,314 |
| Other gains / (losses) | 9,311 | 149 | 3,244 | 97 | 12,801 |
| Total segment revenue | 540,063 | 86,480 | 275,546 | 127,139 | 1,029,228 |
| Segment net profit after tax before amortisation (NPATA) | 8,188 | 12,374 | 22,193 | 6,111 | 48,866 |
| Net profit after tax before amortisation as a percentage of revenue | 1.5% | 14.3% | 8.1% | 4.8% | 4.7% |

Net profit after tax before amortisation ("NPATA") is the net profit or loss after tax and after adding back the amortisation expense relating to acquired service agreement contract intangibles. Upon conversion of APM Human Services International Limited ("APMHSL") into a public company, NPATA will be used by the CODM's of the business when assessing strategic options such as the ability to pay dividends.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

2 Segment information (continued)

(c) Segment results (continued)

| | Note | Australia | APAC | Europe/UK | North America | Consolidated |
|--|-------------|------------------|----------------|------------------|----------------------|---------------------|
| | | 2021 | 2021 | 2021 | 2021 | 2021 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Other significant gains / (costs) | | | | | | |
| Unrealised FX gains | | 9,319 | 102 | 3,295 | 98 | 12,814 |
| Depreciation | | (28,592) | (3,416) | (12,502) | (7,885) | (52,395) |
| Amortisation | | (45,050) | (3,357) | (429) | (1,949) | (50,785) |
| Net finance costs | 1 | (131,240) | (143) | (1,048) | (474) | (132,905) |
| Income tax (expense) / benefit | | (14,753) | (2,795) | 9,167 | (2,217) | (10,598) |
| Total other significant gains / (costs) | | (210,316) | (9,609) | (1,517) | (12,427) | (233,869) |

Note

1. Net finance costs include the finance charges on the Series A shares classified as Shareholder Loans in note 15. Interest on these loans totalling \$965.5 million is calculated on an 8% yield per annum compounded semi-annually. The financing cost relating to this period is \$72.7 million.

(d) Revenue by country

The below disclosure sets out the group's revenue by country as included within the operating segment disclosures above.

| | 2021 |
|--|----------------|
| | \$'000 |
| Australia * | 528,738 |
| APAC | |
| New Zealand | 43,532 |
| Korea | 32,492 |
| Singapore | 9,102 |
| Europe / UK | |
| United Kingdom ** | 236,448 |
| Germany | 15,617 |
| Switzerland | 6,236 |
| North America | |
| USA | 68,714 |
| Canada | 58,234 |
| Total revenue from contracts with customers | 999,113 |

* Revenues of approximately \$429.6 million are derived from a single external government customer comprising a number of separate individual programs.

** Revenues of approximately \$229.8 million are derived from a single external government customer comprising a number of separate individual programs.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

2 Segment information (continued)

(e) Segment assets

The below disclosure sets out the group's non-current assets other than financial instruments and deferred tax assets. These assets are measured in the same way as in the financial statements. Segment assets include intersegment elimination entries.

| | 2021 \$'000 Non- current assets |
|--|---|
| Australia | 1,530,279 |
| APAC | |
| New Zealand | 27,988 |
| Korea | 50,964 |
| Singapore | 23,755 |
| Europe / UK | |
| United Kingdom | 111,248 |
| Germany | 10,172 |
| Switzerland | 3,779 |
| North America | |
| USA | 24,267 |
| Canada | 54,235 |
| Total segment non-current assets | 1,836,687 |
| Deferred tax assets | 14,575 |
| Other assets | 6,559 |
| Total non-current assets per the Consolidated Statement of Financial Position | 1,857,821 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

3 Business combinations

(a) Summary of acquisition – International APM Group Pty Ltd (100%)

On 30 June 2020, APM Global Holdings Pty Ltd, a wholly owned subsidiary of APM Human Services International Limited, acquired 100% of the issued share capital of International APM Group Pty Ltd ("the IAPM Group"), a leading provider in people-related services globally. The strategic rationale for this acquisition was access to large existing markets with strong industry tailwinds, opportunity for growth in new sectors and markets, outstanding financial profile, founder led, experienced management team and strong performance culture, and proven bid capability and contract execution.

The fair value of the IAPM Group's identifiable intangible assets has been estimated by applying a multi-period excess earning method. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on an assumed nominal post-tax discount rate of 8.50%. Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

| | \$'000 |
|---|------------------|
| <i>Purchase consideration:</i> | |
| Cash paid | 1,253,757 |
| Shares issued – Series B shares (ordinary shares) | 20,545 |
| Shares issued – Series A shares (shareholder loans) | 390,355 |
| Total purchase consideration | 1,664,657 |

The fair value of the 410.9 million shares issued as part of the consideration paid (\$410.9 million) was based on the equity value of the group as at 30 June 2020.

The determined fair values of the assets and liabilities acquired at the date of acquisition are as follows:

| | Fair value \$'000 |
|---|----------------------|
| Cash and cash equivalents | 33,210 |
| Trade and other receivables | 48,494 |
| Accrued revenue | 72,147 |
| Prepayments | 34,911 |
| Other current assets | 1,817 |
| Property, plant and equipment | 33,195 |
| Right-of-use assets | 59,266 |
| Intangible assets: Service agreements/relationships | 350,000 |
| Intangible assets: Brand | 57,000 |
| Intangible assets: Licences & software | 1,073 |
| Deferred tax assets | 470 |
| Other non-current assets | 1,172 |
| Trade and other payables | (78,030) |
| Deferred revenue | (98,760) |
| Current interest-bearing liabilities | (25,422) |
| Current provisions | (18,983) |
| Current taxes payable | (5,208) |
| Interest-bearing liabilities | (33,844) |
| Non-current provisions | (21,161) |
| Deferred tax liabilities | (106,704) |
| Net identifiable assets acquired | 304,643 |
| Goodwill | 1,360,014 |
| Net assets acquired | 1,664,657 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

3 Business combinations (continued)

(a) Summary of acquisition – International APM Group Pty Ltd (100%) (continued)

The goodwill is attributable to people, experience and know-how of the business. It's the people and processes that enable the business to successfully bid for new work, exceed the performance obligations in its contracts and expand into new industry sectors and markets. It will not be deductible for tax purposes.

Acquired receivables

The fair value of acquired trade receivables is \$48.5 million. The gross contractual amount for trade receivables due is \$49.6 million, with a loss allowance of \$1.1 million recognised on acquisition.

Revenue and profit contribution

The acquired business contributed 100% of the revenues and net profit to the group for the period from incorporation on 9 March 2020 to 30 June 2021.

Contingent liabilities

There were no contingent liabilities recognised on acquisition.

Purchase consideration cash outflow

| | \$'000 |
|--|------------------|
| Outflow of cash to acquire subsidiary, net of cash acquired: | |
| Cash consideration | 1,253,657 |
| <i>Less: Balances acquired</i> | |
| Cash | (33,210) |
| Net outflow of cash – investing activities | <u>1,220,447</u> |

(b) Summary of acquisition – DB Grant Associates, Inc. (100%)

On 30 September 2020, Ross Innovative Employment Solutions Corporation, a wholly owned subsidiary of APM Human Services International Limited, acquired 100% of the issued share capital of DB Grant Associates, Inc. ("DB Grants"), a leading provider in people-related services in the USA. The acquisition has significantly increased the Group's footprint in the USA and complements the Group's existing USA operations.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

| | \$'000 |
|--------------------------------|---------------|
| <i>Purchase consideration:</i> | |
| Cash paid | 9,811 |
| Deferred consideration | 2,814 |
| Total purchase consideration | <u>12,625</u> |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

3 Business combinations (continued)

(b) Summary of acquisition – DB Grant Associates, Inc. (100%) (continued)

The determined fair values of the assets and liabilities acquired at the date of acquisition are as follows:

| | Fair value \$'000 |
|----------------------------------|----------------------|
| Cash and cash equivalents | 1,437 |
| Trade and other receivables | 17,619 |
| Property, plant and equipment | 138 |
| Right-of-use assets | 15,276 |
| Deferred tax assets | 5,526 |
| Other non-current assets | 268 |
| Trade and other payables | (2,539) |
| Interest-bearing liabilities | (15,276) |
| Deferred tax liabilities | (10,103) |
| Net identifiable assets acquired | 12,346 |
| Goodwill | 279 |
| Net assets acquired | 12,625 |

The goodwill is attributable to people, experience and know-how of the business. It's the people and processes that enable the business to successfully bid for new work, exceed the performance obligations in its contracts and expand into new industry sectors and markets.

Acquired receivables

The fair value of acquired trade receivables is \$16.0 million. The gross contractual amount for trade receivables due is \$16.4 million, with a loss allowance of \$0.4 million recognised on acquisition.

Revenue and profit contribution

The acquired business contributed revenues of \$34.7 million and net profit of \$1.2 million to the group for the period from 1 October 2020 to 30 June 2021.

If the acquisition had occurred on 1 July 2020, revenue and net profit for the year ended 30 June 2021 would have been \$50.1 million and \$1.3 million respectively.

Contingent liabilities

In the event that certain pre-determined performance measures are achieved by the subsidiary for a consecutive 12-month period during the 18-month period post acquisition, additional consideration of up to USD 2 million may be payable in cash to the vendors.

Purchase consideration cash outflow

| | 2021 \$'000 |
|--|----------------|
| Outflow of cash to acquire subsidiary, net of cash acquired: | |
| Cash consideration | 9,811 |
| <i>Less: Balances acquired</i> | |
| Cash | (1,437) |
| Net outflow of cash – investing activities | 8,374 |

APM Human Services International Limited **Notes to the Financial Report (continued)** **For the period from incorporation on 9 March 2020 to 30 June 2021**

3 Business combinations (continued)

(c) Summary of other acquisitions

On 31 July 2020, the Group acquired CNLR Horizons Limited in the UK for a purchase price of £1.5 million. On 31 August 2020, the Group acquired FBG Group Pty Ltd in Australia for a purchase price of \$4.0 million.

(d) Recognition and measurement – business combinations

The acquisition method of accounting is used to account for all business combinations by the group.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. Acquisition costs relating to the acquisition of International APM Group Pty Ltd were incurred by the majority shareholder and are not recognised within the group's results for the period ended 30 June 2021.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

4 Revenue

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of services through its principal activities in the following major service lines:

| Period ended 30 June 2021 | | Total \$'000 |
|---|--|-----------------|
| Employment Services | | 711,136 |
| Health & Wellbeing | | 134,228 |
| Communities & Assessment | | 138,092 |
| Disability & Aged Care Support Services | | 15,657 |
| | | 999,113 |

(b) Assets and liabilities related to contracts with customers

| | 2021 \$'000 |
|---|----------------|
| Trade receivables from customers (note 9) | 79,818 |
| Contract assets (accrued revenue) | 100,691 |
| Contract liabilities (deferred revenue) | (78,202) |

Contract assets represent revenue recognised but not yet invoiced. All contract assets as of 30 June 2021 are expected to be invoiced during the year ending 30 June 2022.

Contract liabilities represent the group's obligation to transfer goods or services to customers, for which the group has already received consideration from the customer. All of the contract liability balance as of 30 June 2021 is expected to be recognised as revenue during the year ended 30 June 2022.

(i) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil short-term Communities & Assessment and Employment Services contracts. This is presented within prepayments in the Consolidated Statement of Financial Position.

| | 2021 \$'000 |
|---|----------------|
| Asset recognised from costs to fulfil a contract at 30 June | 12,233 |
| Amortisation recognised during the period | 912 |

The asset is amortised on a systematic basis over the term of the specific contracts it relates to, consistent with the pattern of recognition of the associated revenue.

APM Human Services International Limited **Notes to the Financial Report (continued)** **For the period from incorporation on 9 March 2020 to 30 June 2021**

4 Revenue (continued)

(c) Recognition and measurement – revenue from contracts with customers

While the specific terms vary by contract, the group often receives five types of fees under its various contracts with government and corporate entities: service fees, outcome fee/payment by results or milestone, cost reimbursement and cost plus, fixed fee and fee for service. Such contracts consist of termination for convenience provisions, where the customer can terminate the contract for convenience without substantive compensation.

The unsatisfied performance obligations where the transaction price has been allocated at the period end is \$272.0 million and is expected to be recognised over the next four years.

Revenue is recognised as the group satisfies each performance obligation by transferring the promised services to a customer, based on the amount of consideration it expects to be entitled in exchange for transferring the services.

Most of the group's contracts include performance obligations to help participants achieve sustained employment outcomes. Substantially, all the group's contracts include variable consideration, whereby it earns revenues if certain contractually defined outcomes occur in the future. The group recognises outcome-based revenue on the placement date, adjusted for any material future services it may be required to deliver post placement if the contract is not terminated. The amount of the variable consideration recognised as revenue is based upon the group's estimate of the final amount of outcome fees to be earned using the expected value method for a portfolio of individuals. These estimates consider i) contractual fees, ii) assumed success rates and iii) assumed participant life in the program. The group bases its estimates on historical results as well as forward-looking information, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. For new contracts, other factors may also be considered. At each reporting period, the group updates its estimate of variable consideration based on actual results or other relevant information and records an adjustment to revenue.

The group constrains its estimates of variable consideration by reducing those estimates to amounts it considers highly probable it will not later result in a significant reversal of revenue. When determining if variable consideration should be constrained, management considers whether there are factors outside the group's control that could result in a significant reversal of revenue. In making these assessments, the group considers the likelihood and magnitude of a potential reversal of revenue.

For some non-cancellable contracts, the group recognises revenue as progress is made towards satisfaction of the related performance obligations using an input method based on efforts made to date relative to the total expected efforts. For some of the group's contracts, it recognises revenue as it invoices customers regularly, because the amount to which it is entitled to invoice approximates the fair value of the services transferred.

Contract modifications may occur, where a change in the scope or price (or both) of a contract is approved by the parties to the contract. Where a contract is modified and the additional services added are not distinct from those provided prior to the modification, the modification is treated as if it were a part of the existing contract forming part of the performance obligations that are partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment at the date of the contract modification. Where a contract is modified and the additional services are distinct from those provided prior to the modification but not at their stand-alone selling prices, the modification is accounted for as if it were a termination of the existing contract and the creation of a new contract.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds 12 months. As a consequence, the group elects not to adjust any of the transaction prices for the time value of money.

Costs incurred to fulfil a contract are capitalised where (a) the costs relate directly to a contract or anticipated contract, (b) the costs generate or enhance resources that will be used in satisfying the obligations under the contract, and (c) the costs are expected to be recovered.

APM Human Services International Limited **Notes to the Financial Report (continued)** **For the period from incorporation on 9 March 2020 to 30 June 2021**

4 Revenue (continued)

(c) Recognition and measurement – revenue from contracts with customers (continued)

Such costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services which may include anticipated renewals. An impairment loss is recognised in profit or loss to the extent that the carrying amount of an asset exceeds:

- (a) the remaining amount of consideration; less
- (b) the costs that relate directly to providing those services and that have not been recognised as expenses.

(d) Key Estimate: Recognition of revenue and deferred revenue

The directors have made estimates regarding revenue and certain other provisions based on their knowledge and estimates of the change in contract base that has occurred within the business during the period.

Outcome-based revenue

Outcomes-based revenue, primarily for the Employment Services revenue stream, is recognised as services are provided based on estimated future outcome payments. In regard to the customer's ability to terminate the contracts for convenience, APM has determined that they would be entitled to outcome payments linked to outcomes achieved post the termination date for the participants who are successfully placed prior to such termination. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In situations where the historical results are not considered to be the most reliable indicator of future results, management's forecasts can be used for estimating revenue of this nature.

As at 30 June 2021, the carrying amount of the accrued revenue relating to outcome-based revenue was \$68.3 million. The group estimates the accrued revenue by applying expected conversion rates to participants currently placed in employment positions at balance date. The group also further constrains the estimated outcome-based revenue to reduce the accrued revenue to an amount the group considers is highly probable and will not later result in a significant reversal of revenue. This is performed by applying an estimated accrual rate.

However, the actual conversion rates and highly probable constraints may be higher or lower. If the key inputs into the models were a reasonably possible 5% lower, the carrying amount would be \$60.8 million as at 30 June 2021. If the key inputs into the models were a reasonably possible 5% higher, the carrying amount would be \$75.8 million as at 30 June 2021.

Refund liabilities (clawback)

Where revenue from specific contracts is subject to clawback amounts by respective contracting bodies, a separate provision is accrued for this refund liability.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

4 Revenue (continued)

(e) Revenue recognition – other income

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

5 Profit and loss items

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

| | 2021 |
|---|------------------|
| | \$'000 |
| <i>Included in other gains:</i> | |
| Unrealised foreign exchange gain | 12,801 |
| | 12,801 |
| <i>Included in other income:</i> | |
| Gain on settlement of supplier agreements * | 13,516 |
| Gain on disposal of fixed assets | 478 |
| Other | 3,320 |
| | 17,314 |
| <i>Included in people costs:</i> | |
| Salaries and wages expense | (510,020) |
| Subcontractor costs | (99,870) |
| | (609,890) |

* Relating to novation of Justice contracts back to the UK Ministry of Justice on 25 June 2021.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

5 Profit and loss items (continued)

| | 2021 |
|---|------------------|
| | \$'000 |
| <i>Included in administration:</i> | |
| Consulting fees | (18,466) |
| Licence costs | (13,460) |
| Training, development and recruitment costs | (5,494) |
| Information technology costs | (3,339) |
| Other | (3,283) |
| | (44,042) |
| <i>Included in occupancy expenses:</i> | |
| Short-term and low-value lease payments | (5,118) |
| Other occupancy-related costs | (18,800) |
| | (23,918) |
| <i>Included in other operating expenses:</i> | |
| Insurance | (5,285) |
| Impairment of right-of-use assets (note 10) | (3,015) |
| Printing, postage, storage & stationary | (3,797) |
| Subscriptions – other | (1,772) |
| Other operating costs | (2,981) |
| | (16,850) |
| <i>Included in depreciation and amortisation:</i> | |
| Depreciation of property, plant and equipment (note 11) | (15,961) |
| Depreciation of right-of-use assets (note 10) | (34,569) |
| Amortisation of intangible assets (note 12) | (52,650) |
| | (103,180) |

6 Income tax expense

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items.

| | 2021 |
|--|---------------|
| | \$'000 |
| (a) Income tax expense | |
| <i>Current tax</i> | |
| Current tax on profits for the period | 33,568 |
| Adjustments for current tax of prior periods | 239 |
| Total current tax expense | 33,807 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

6 Income tax expense (continued)

| | 2021 |
|--|---------------|
| | \$'000 |

(a) Income tax expense (continued)

Deferred tax

| | |
|--------------------------------------|-----------------|
| Increase in deferred tax assets | (14,106) |
| Decrease in deferred tax liabilities | (9,103) |
| Total deferred tax benefit | (23,209) |
| Income tax expense | 10,598 |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2021 |
|--|---------------|
| | \$'000 |

| | |
|---|---------------|
| Profit from continuing operations before income tax expense | 8,679 |
| Tax at the Australian tax rate of 30% | 2,604 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | |
| Entertainment | 262 |
| Employee option plan | 224 |
| Interest accrued to preference shareholders | 21,803 |
| Previously unrecognised tax losses now recouped to reduce deferred tax expense | (10,600) |
| Previously unrecognised tax losses now recouped to reduce current tax expense | (10,695) |
| | 3,598 |
| Difference in overseas tax rates | 7,239 |
| Adjustments for current tax of prior periods | (239) |
| Income tax expense | 10,598 |

(c) Tax losses

| | |
|---|---------------|
| Unused tax losses for which no deferred tax asset has been recognised | 41,998 |
| Potential tax benefit @ 30% | 12,599 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

6 Income tax expense (continued)

(d) Deferred tax balances

Deferred tax assets

| | 2021 |
|--|---------------|
| | \$'000 |
| The balance comprises temporary differences attributable to: | |
| Provisions | 7,129 |
| Accruals | 7,955 |
| Tax losses | 6,857 |
| Lease liabilities | 15,420 |
| Other | 4,093 |
| Total deferred tax assets | 41,454 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (26,879) |
| Net deferred tax assets | 14,575 |

| Movements | Provisions \$'000 | Accruals \$'000 | Tax losses \$'000 | Lease liabilities \$'000 | Other \$'000 | Total \$'000 |
|--|------------------------------|----------------------------|----------------------------------|---|-------------------------|-------------------------|
| At 9 March 2020 | - | - | - | - | - | - |
| Acquisition of controlled entities | 6,125 | 3,016 | - | 12,919 | 5,288 | 27,348 |
| (Charged) / credited to profit or loss | 1,004 | 4,939 | 6,857 | 2,501 | (1,195) | 14,106 |
| At 30 June 2021 | 7,129 | 7,955 | 6,857 | 15,420 | 4,093 | 41,454 |

Deferred tax liabilities

| | |
|--|------------------|
| The balance comprises temporary differences attributable to: | |
| Intangible assets | (89,819) |
| Property, plant and equipment | 1,781 |
| Right-of-use assets | (14,911) |
| Prepayments | (210) |
| Accrued income | (22,435) |
| Other | (236) |
| Total deferred tax liabilities | (125,830) |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 26,879 |
| Net deferred tax liabilities | (98,951) |

| Movements | Intangible assets \$'000 | Property, plant and equipment \$'000 | Right- of-use assets \$'000 | Prepayments \$'000 | Accrued income \$'000 | Other \$'000 | Total \$'000 |
|--|---|---|--|-------------------------------|--------------------------------------|-------------------------|-------------------------|
| At 9 March 2020 | - | - | - | - | - | - | - |
| Acquisition of controlled entities | (105,503) | (7) | (12,919) | (146) | (16,358) | - | (134,933) |
| Charged / (credited) to profit or loss | 15,684 | 1,788 | (1,992) | (64) | (6,077) | (236) | 9,103 |
| At 30 June 2021 | (89,819) | 1,781 | (14,911) | (210) | (22,435) | (236) | (125,830) |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

6 Income tax expense (continued)

(d) Deferred tax balances (continued)

The deferred tax assets include an amount of \$6.9 million which relates to carried-forward tax losses of Ingeus UK Limited. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved budget for the subsidiary. The subsidiary is expected to generate taxable income from 2022 onwards. The losses can be carried forward indefinitely and have no expiry date.

Offsetting within tax consolidated group

APM Human Services International Limited and its wholly owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report. Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

Current taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

6 Income tax expense (continued)

(e) Recognition and measurement

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

APM Human Services International Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Key judgements

Deferred tax asset and liability recognition

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses. Deferred tax assets are based on tax laws (and tax rates) that have been enacted or substantively enacted at the balance date.

Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, the projected future taxable income of these taxable entities and after taking account of specific risk factors that are expected to affect the recovery of these assets.

Tax balances

Tax balances are based on management's best estimate and interpretation of the tax legislation in a number of jurisdictions. This treatment can be subject to changes due to modification to legislation or differences in interpretation by authorities. Where the amount of tax payable or recoverable includes some uncertainty, the group recognises amounts based on management's best estimate of the most likely outcome.

7 Net finance costs

| | 2021 \$'000 |
|-------------------------------------|----------------|
| Bank interest income | (200) |
| Interest expense on lease liability | 3,193 |
| Shareholder loan | 72,678 |
| Bank interest expense | 55,739 |
| Other finance costs | 1,495 |
| | 132,905 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

8 Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

| | 2021 |
|--------------|----------------|
| | \$'000 |
| Cash at bank | 106,781 |
| | 106,781 |

Recognition and measurement – cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash in hand and deposits held on call with banks.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group, and earn interest at the respective deposit rates. Cash at bank and on deposit is held with banks and financial institutions with investment grade credit ratings. Refer to note 18(b) for credit risk disclosures.

9 Trade and other receivables

| | 2021 |
|-------------------|---------------|
| | \$'000 |
| Trade receivables | 81,554 |
| Loss allowance | (1,736) |
| | 79,818 |
| Other receivables | 7,659 |
| | 87,477 |

Recognition and measurement – trade receivables

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Information about the impairment of trade receivables and the group's exposure to credit risk and foreign currency risk can be found in note 18.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

10 Leases

Group as lessee

The group leases leasehold properties and plant and equipment. The lease terms vary and can include escalation clauses, renewal or purchase options and termination rights. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Right-of-use asset

Set out below are the carrying amounts of the right-of-use assets and the movements during the period.

| Period ended 30 June 2021 | Leasehold properties | Plant and equipment | Total |
|---|-----------------------------|----------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| At cost | 121,605 | 8,113 | 129,718 |
| Accumulated depreciation and impairment | (46,196) | (7,842) | (54,038) |
| Net book amount | 75,409 | 271 | 75,680 |
| Movement | | | |
| At 9 March 2020 | - | - | - |
| Acquisition of controlled entities (note 3) | 51,153 | 8,113 | 59,266 |
| Additions | 70,492 | - | 70,492 |
| Depreciation | (32,666) | (1,903) | (34,569) |
| Impairment | (191) | (2,824) | (3,015) |
| Disposals | (6,627) | - | (6,627) |
| Other, including foreign exchange movements | (6,752) | (3,115) | (9,867) |
| Net book amount at the end of the period | 75,409 | 271 | 75,680 |

Lease liability

Set out below are the carrying amounts of the lease liabilities and the movements during the period.

| Period ended 30 June 2021 | 2021 |
|---|---------------|
| | \$'000 |
| At 9 March 2020 | - |
| Acquisition of controlled entities (note 3) | 59,266 |
| Additions | 70,492 |
| Accretion of interest | 3,193 |
| Lease payments | (43,817) |
| Other, including foreign exchange movements | (7,249) |
| Carrying amount at 30 June 2021 | 81,885 |
| Current (note 14) | 31,536 |
| Non-current (note 14) | 50,349 |
| Total | 81,885 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

10 Leases (continued)

Lease-related expenses

The following are the lease-related amounts recognised in the income statement:

| Period ended 30 June 2021 | 2021 \$'000 |
|---|------------------------|
| Depreciation of right-of-use assets (note 5) | 34,569 |
| Impairment of right-of-use-assets (note 5) | 3,015 |
| Interest on lease liabilities (note 7) | 3,193 |
| Short-term and low-value lease payments (included in occupancy-related expenses) (note 5) | 5,118 |
| Total amount recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income | 45,895 |

Total cash outflow for leases was \$41.9 million.

(a) Recognition and measurement - leases

At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all of the economic benefits from use of the asset throughout the year of use; and
- the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:
 - the group has the right to use the asset; or
 - the group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lessee, the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date.

APM Human Services International Limited **Notes to the Financial Report (continued)** **For the period from incorporation on 9 March 2020 to 30 June 2021**

10 Leases (continued)

(a) Recognition and measurement – leases (continued)

At inception of a contract, the lease liability is measured at the present (discounted) value of the future lease payments that are not paid as at the commencement date. The lease liability is remeasured when there is a change in the future lease payments arising from an index or rate change or if the group changes an assessment of whether it will exercise an extension or termination option. When the liability is remeasured in this way, a corresponding adjustment is made to the right-of-use asset or is recorded in the profit or loss if the carrying amount of the asset has been reduced to zero.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

(b) Key Judgements and estimates

Discount rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Dilapidation provision

The group is required to restore its leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

11 Property, plant and equipment

| | Plant and equipment \$'000 | Leasehold improvements \$'000 | Total \$'000 |
|---|---|--|-------------------------|
| Period ended 30 June 2021 | | | |
| At cost | 40,097 | 6,209 | 46,306 |
| Accumulated depreciation | (12,133) | (3,828) | (15,961) |
| Net book amount | 27,964 | 2,381 | 30,345 |
| Movement | | | |
| At 9 March 2020 | - | - | - |
| Acquisition of controlled entities (note 3) | 26,401 | 6,794 | 33,195 |
| Additions | 13,716 | 551 | 14,267 |
| Disposals | (202) | (375) | (577) |
| Depreciation | (12,133) | (3,828) | (15,961) |
| Translation differences | 182 | (761) | (579) |
| Net book amount at the end of the period | 27,964 | 2,381 | 30,345 |

Recognition and measurement – property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

The depreciable amount of all fixed assets including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment - 10% to 67%
- Leasehold improvements - over the term of the lease being two to five years

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

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

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

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

12 Intangible assets

| | Goodwill | Service agreements/ relationships | Brand | Licences & software | Total |
|---|------------------|--|---------------|------------------------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Period ended 30 June 2021 | | | | | |
| At cost | 1,367,057 | 350,000 | 57,000 | 8,204 | 1,782,261 |
| Accumulated amortisation | - | (50,785) | - | (1,865) | (52,650) |
| Net book amount | 1,367,057 | 299,215 | 57,000 | 6,339 | 1,729,611 |
| Movement | | | | | |
| At 9 March 2020 | - | - | - | - | - |
| Acquisition of controlled entities (note 3) | 1,367,057 | 350,000 | 57,000 | 1,073 | 1,775,130 |
| Additions | - | - | - | 7,041 | 7,041 |
| Amortisation | - | (50,785) | - | (1,865) | (52,650) |
| Translation differences | - | - | - | 90 | 90 |
| Net book amount at the end of the period | 1,367,057 | 299,215 | 57,000 | 6,339 | 1,729,611 |

(a) Recognition and measurement

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Brand

Brand on acquisitions of subsidiaries is included in intangible assets. Brand is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of brand relating to the entity sold.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

12 Intangible assets (continued)

(a) Recognition and measurement (continued)

Service agreements/relationships

Service agreements and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at each financial period-end. Intangible assets with indefinite lives such as brand are tested for impairment in the same way as goodwill.

The useful lives of intangible assets are as follows:

- Service agreements / relationships - Up to 20 years
- Licence and software - Up to 3 years

(b) Key Judgements

Assessment of impairment of goodwill and brand

The group assesses whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on the higher of fair value less cost to sell or value-in-use calculations which require the use of assumptions.

Valuation and amortisation of intangible assets – service agreements/relationships

The service agreements / relationships were all acquired as part of business combinations or contract novations. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line over their estimated useful lives. Fair value was determined using the multi-period excess earnings method, using projected post-tax cashflows, discounted at an appropriate discount rate.

Assessment of useful life of brand

The group assesses whether the APM brand has a finite or indefinite useful life. The group's well-established position in the industry, commitment to continued brand maintenance, and high probability of the group providing services beyond current contract periods supports an indefinite life assessment.

(c) Impairment tests for goodwill and brand

Goodwill and brand are monitored by management at the country or CGU level. A country-level summary of the goodwill and brand allocation is presented below:

| Period ended 30 June 2021 | Australia | NZ | Korea | Singapore | UK | Germany | Switzerland | Canada | USA | Total |
|---------------------------|------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goodwill | 1,135,095 | 26,000 | 48,000 | 23,000 | 75,697 | 4,000 | 2,000 | 47,000 | 6,265 | 1,367,057 |
| Brand | 57,000 | - | - | - | - | - | - | - | - | 57,000 |
| Total | 1,192,095 | 26,000 | 48,000 | 23,000 | 75,697 | 4,000 | 2,000 | 47,000 | 6,265 | 1,424,057 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

12 Intangible assets (continued)

(c) Impairment tests for goodwill and brand (continued)

The group tests whether goodwill and brand have suffered any impairment on an annual basis. For the 2021 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering the next 12-month period. Cash flows beyond the 12-month period are extrapolated using the estimated industry growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| Period ended 30 June 2021 | Australia | NZ | Korea | Singapore | UK | Germany | Switzerland | Canada | USA |
|------------------------------------|-----------|------|-------|-----------|-------|---------|-------------|--------|------|
| Long-term industry growth rate (%) | 3.5% | 2.5% | 3.0% | 3.0% | 3.0% | 3.0% | 2.5% | 3.0% | 3.0% |
| Pre-tax discount rate (%) | 8.5% | 9.5% | 9.0% | 8.5% | 11.0% | 9.5% | 9.5% | 8.5% | 8.5% |

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determine values |
|--------------------------------|---|
| Long-term industry growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Pre-tax discount rate | Reflect specific risks relating to the relevant segments and the countries in which they operate. |

Significant estimate: impact of possible changes in key assumptions

The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGUs to exceed their recoverable amounts. In this respect, directors and management have considered and assessed the following reasonably possible changes:

- Long-term industry growth rate – 1% decrease
- Pre-tax discount rate – 1% increase

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

13 Trade and other payables

| | 2021 |
|--------------------------|----------------|
| | \$'000 |
| Trade and other payables | 52,548 |
| Accrued expenses | 61,956 |
| | 114,504 |

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

14 Interest-bearing liabilities

| | 2021 |
|---|----------------|
| | \$'000 |
| <i>Current:</i> | |
| Lease liabilities (note 10) | 31,536 |
| | 31,536 |
| <i>Non-Current:</i> | |
| Bank loan | 707,446 |
| Lease liabilities (note 10) | 50,349 |
| | 757,795 |
| Total interest-bearing liabilities | 789,331 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

14 Interest-bearing liabilities (continued)

(a) Recognition and measurement

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

15 Shareholder loans

| | 2021 \$'000 |
|----------------------------------|----------------|
| <i>Non-Current:</i> | |
| Unsecured: | |
| Non-redeemable preference shares | 965,538 |
| | 965,538 |

The carrying value of the shareholder loans is considered to approximate their fair value.

(i) Non-redeemable preference shares

The shareholder's investment in the company is in the form of Series A Shares and Series B Shares. Each Series A share accrues a discretionary 8% yield per annum compounded semi-annually. There are no mandatory or required distributions. The Series A shares are not required to be repurchased or redeemed by the company, and they are convertible into a variable number of shares at the end of 15 years based on the fair value of the ordinary shares at the time of conversion, the key determinant as to why they are treated as a liability on the Consolidated Statement of Financial Position.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

16 Provisions

| | 2021 |
|------------------------|---------------|
| | \$'000 |
| <i>Current:</i> | |
| Employee entitlements | 21,056 |
| Clawback provision | 3,443 |
| Dilapidation provision | 1,362 |
| Other provisions | 2,754 |
| | 28,615 |
| <i>Non-Current:</i> | |
| Employee entitlements | 6,410 |
| Clawback provision | 2,434 |
| Dilapidation provision | 4,689 |
| Other provisions | 6,742 |
| | 20,275 |
| | 48,890 |

(a) Recognition and measurement

Provisions

Provisions are recognised when:

- the group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

(i) Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Consolidated Statement of Financial Position.

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

16 Provisions (continued)

(a) Recognition and measurement (continued)

(ii) Post – employment obligations

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Information about individual provisions and significant estimates

Dilapidation provision

The group operates from leased premises and is required to return most of its premises to a pre-lease condition at the end of the lease or on vacating the premises, whichever is earlier. The group fully provides for the cost of any dilapidations based on an estimate of the value of the work required as if the premises were vacated on the balance date. This provision is re-estimated each period.

Clawback provision

The group has a number of contracts that involve upfront payment prior to service delivery. In some cases, an adjustment to this payment is required based on actual results after certain periods of time based on outcomes achieved. Where it is considered highly probable that funds will be required to be returned in future a provision is recognised. This provision is re-estimated during the life of each relevant contract.

(c) Movements in provisions

Movement in each class of provision during the financial period are set out below:

| | Employee entitlements | Clawback provision | Dilapidation provision | Other provisions | Total |
|---|--------------------------|-----------------------|---------------------------|---------------------|---------------|
| 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 9 March 2020 | - | - | - | - | - |
| Acquired through business combination | 23,503 | 1,697 | 7,676 | 7,267 | 40,143 |
| Charged/(credited) to Consolidated Statement of Profit or Loss and Other Comprehensive Income | 19,319 | 4,438 | (69) | 4,578 | 28,266 |
| Capitalised to Consolidated Statement of Financial Position | - | - | 1,718 | - | 1,718 |
| Utilised | (15,356) | (258) | (3,274) | (2,349) | (21,237) |
| Carrying amount at 30 June 2021 | 27,466 | 5,877 | 6,051 | 9,496 | 48,890 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

17 Equity

(a) Share capital

| | \$'000 |
|---------------------------------------|--------|
| 46,988,682 Ordinary shares fully paid | 47,345 |

(i) Movements in shares on issue

| | Number of shares (thousands) | Total \$'000 |
|--------------------------------------|---------------------------------|-----------------|
| Ordinary shares | | |
| At 9 March 2020 | - | - |
| Movement in ordinary shares on issue | 46,989 | 47,345 |
| Balance 30 June 2021 | 46,989 | 47,345 |

(ii) Terms and conditions

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Other reserves

The following table shows a breakdown of the Consolidated Statement of Financial Position line item 'Reserves' and the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below the table.

| | Share- based payments | Foreign currency translation | Total other reserves |
|----------------------------------|--------------------------|---------------------------------|-------------------------|
| | \$'000 | \$'000 | \$'000 |
| At 9 March 2020 | - | - | - |
| Share-based payment expense | 747 | - | 747 |
| Currency translation differences | - | (2,600) | (2,600) |
| At 30 June 2021 | 747 | (2,600) | (1,853) |

(i) Nature and purpose of other reserves

Share-based payments

The group operates an equity-settled, share-based compensation plan to grant shares to its employees. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense in other comprehensive income with a corresponding increase in other reserves over the vesting period.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

18 Financial instruments and risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current period profit and loss information has been included where relevant to add further context.

(a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenue or expense is denominated in a foreign currency), the group's external bank debt denominated in USD, and the group's net investments in foreign subsidiaries.

Exposure

The group's material exposure to foreign currency risk at the end of the reporting period was as follows:

| Period ended 30 June 2021 | USD'000 | GBP'000 |
|---------------------------------------|----------|----------|
| Financial assets | | |
| Cash and cash equivalents | 7,122 | 19,303 |
| Trade and other receivables | 15,371 | 9,382 |
| Financial liabilities | | |
| Trade and other payables | (5,499) | (26,009) |
| Interest-bearing loans and borrowings | (90,039) | (12,047) |

Sensitivity

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial period would have on profit after tax and equity, based solely on the group's foreign exchange risk exposures existing at the balance date. The following exchange rates have been used in performing the sensitivity analysis:

| Period ended 30 June 2021 | USD \$'000 | GBP \$'000 |
|---------------------------|---------------|---------------|
| Actual | 0.7518 | 0.5429 |
| +10% (weaken) | 0.8270 | 0.5972 |
| -10% (strengthen) | 0.6766 | 0.4886 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

18 Financial instruments and risk management (continued)

(a) Foreign exchange risk (continued)

Sensitivity (continued)

The impact on profit and equity is estimated by applying the hypothetical changes in the foreign currency exchange rates to the balance of financial instruments at the reporting date.

At 30 June 2021, had the Australian dollar moved against the US dollar and British Pound, as illustrated in the table above, with all other variables held constant, the group's profit after tax and equity would have been affected by the change in value of its financial assets and financial liabilities as shown in the table below:

| Period ended 30 June 2021 | USD \$'000 | GBP \$'000 |
|---|---------------|---------------|
| Exchange rate increase | | |
| +10% : weaken – profit/(loss) | 7,188 | - |
| +10% : weaken – increase/(decrease) equity | (1,849) | (4,174) |
| Exchange rate decrease | | |
| -10% : strengthen – profit/(loss) | (8,770) | - |
| -10% : strengthen- increase/(decrease) equity | 2,260 | 5,102 |

(b) Credit risk

Potential concentrations of credit risk consist mainly of cash and cash equivalents, investments and trade debtors.

(i) Impairment of financial assets

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables comprise of a number of customers, dispersed across different geographical areas. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Given the majority of the group's revenue-generating contracts are with government departments and corporate entities with very low credit risk, and the group's history of write-offs of trade receivables and contract assets is also very low, the expected credit losses were considered to be insignificant.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

18 Financial instruments and risk management (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Customer credit risk is managed by established policies, procedures and controls relating to customer credit risk management. The group trades primarily with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation.

At 30 June 2021, the group did not consider there to be any significant concentration of risk that had not been adequately insured or provided for.

(ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Significant estimates and judgements

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The group's exposure to bad debts is not significant and default rates have historically been very low. Trade receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or the debtor failing to make timely contractual payments.

(c) Fair value of financial instruments

At 30 June 2021, the carrying amounts of cash and cash equivalents, trade receivables and trade payables approximated their fair values due to the short-term maturities of these assets and liabilities.

At 30 June 2021, the fair value for the bank and shareholder loan is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest. The fair value of the bank and shareholders loans is \$0.7 billion and \$1.0 billion, respectively.

The carrying amounts of bank and shareholder loans have been outlined in note 14 and 15, respectively.

(d) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The group manages liquidity by monitoring forecast cash flows and ensuring adequate cash levels are maintained.

During the financial period ended 30 June 2021, the group generated net cash from operating activities of \$219.0 million and profit before tax, depreciation, amortisation and interest of \$244.8 million. Cash flows and profit levels are budgeted to increase in the year ending on 30 June 2022.

The directors have prepared the consolidated financial statements on a going concern basis in the belief that the group will realise its assets and settle its liabilities and commitments in the normal course of the business and for at least the amounts stated in the consolidated financial statements.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

18 Financial instruments and risk management (continued)

(d) Liquidity risk management (continued)

Maturities of financial liabilities

The following table analyses the group's financial liabilities, including lease liabilities, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Contractual maturities of financial liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount liabilities |
|---|------------------|-----------------------|-----------------------|------------------|------------------------------|-----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Period ended 30 June 2021 | | | | | | |
| Trade and other payables | 52,548 | - | - | - | 52,548 | 52,548 |
| Borrowings | 44,714 | 44,714 | 131,880 | 749,398 | 970,706 | 707,446 |
| Shareholder loans | - | - | - | 965,538 | 965,538 | 965,538 |
| Lease liabilities | 31,536 | 28,917 | 13,968 | 8,506 | 82,927 | 81,885 |
| Total | 128,798 | 73,631 | 145,848 | 1,723,442 | 2,071,719 | 1,807,417 |

(e) Market risk

(i) Cash flow and fair value interest rate risk

The group's main interest rate risk is from long-term borrowings with variable rate components, which exposes the group to cash flow interest rate risk. The group policy is to review this exposure closely leveraging off natural hedges. The group is currently not entered into any floating-to-fixed interest rate swaps to mitigate the interest rate risk on the variable rates. During 2021, the group's borrowings at variable rate were denominated in Australian and US Dollars.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

19 Related party disclosures

(a) Parent entities

APM Human Services International Limited is the ultimate parent of the group.

(b) Interests in other entities

Interests in other entities are set out in note 26.

(c) The directors of APM Human Services International Limited during the financial period were:

- Megan Wynne
- Michael Anghie
- Timothy Sullivan
- Elizabeth Betten
- William Ritchie
- Robert Melia
- Simone Blank

(d) Compensation of key management personnel

| | 2021 |
|----------------------|---------------|
| | \$'000 |
| Short-term benefits | 5,192 |
| Share-based payments | 390 |
| Total | 5,582 |

(e) The following related party transactions occurred during the financial period:

Rental payments on three property leases under normal commercial terms to the value of \$931,471 to a related party. There is no balance outstanding to be paid at 30 June 2021. Please also refer to note 22 for related party transactions occurring subsequent to the reporting period.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

20 Share-based payments

(a) Management equity plan

The establishment of the APM Human Services International Limited Management Equity Plan ("MEP") was approved by shareholders on 30 June 2020.

The MEP is designed to provide long-term incentives for senior management to deliver long-term shareholder returns. Under the plan, participants are granted shares which only vest if certain performance period conditions are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The incentive shares, referred to as Series C shares, are 50%-time shares and 50% performance shares. Holders of the Series C shares will need to be continuously employed to ensure vesting occurs. The time shares vest in such a way that 40% will vest on the second anniversary of the grant date, with 20% vesting on each anniversary of the grant date thereafter up until the fifth anniversary of the grant date. The vesting of the time shares is accelerated by one year (each time band) on the occurrence of an Initial Public Offering ("IPO") and if the Investor Cash Inflows equal or exceed 2.0 times the Investor Cash Outflows ("2x Hurdle"). The performance shares shall only become vested once the 2x Hurdle is met. 50% of the performance shares could also vest upon the consummation of an Initial Public Offering and the implied share price is 2.0 times the Investor Cash Outflows.

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

| | 2021 Number of Shares |
|-----------------------------|-----------------------------|
| As at 9 March 2020 | - |
| Granted during the period | 5,054,740 |
| Exercised during the period | - |
| As at 30 June 2021 | 5,054,740 |

(b) Recognition and measurement

The fair value of shares granted by the group is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value ("FV") of the shares granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(i) Fair value of shares granted

The fair value at grant date is independently determined using a Black-Scholes model for shares granted with non-market vesting conditions. The Black-Scholes model considers the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

For shares which contain market vesting conditions, the group measures the grant date fair value (or in the case of a change in the expected vesting of the shares which introduces a market vesting condition, the cumulative catch-up share-based payment expense) using a Monte-Carlo simulation model.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

20 Share-based payments (continued)

(b) Recognition and measurement (continued)

Set out below are the assumptions applied in the Black Scholes Model:

| | Tranche 1 2021 | Tranche 2 2021 | Tranche 3 2021 | Tranche 4 2021 |
|---|-------------------|-------------------|-------------------|-------------------|
| Grant date | 30-Jun-20 | 30-Sep-20 | 31-Dec-20 | 30-Jun-21 |
| Number of Series C Shares | 4,475,930 | 52,191 | 292,564 | 234,055 |
| FV of Series C - performance shares (2x Hurdle) (cents) | 25.9 | 69.7 | 121.6 | 230.6 |
| FV of Series C - performance shares (IPO) (cents) | 25.9 | 69.7 | 121.6 | 230.6 |
| FV of Series C - time shares (40%) (cents) | 25.9 | 69.7 | 121.6 | 230.6 |
| FV of Series C - time shares (60%) (cents) | 25.9 | 69.7 | 121.6 | 230.6 |
| FV of Series C - time shares (80%) (cents) | 25.9 | 69.7 | 121.6 | 226.3 |
| FV of Series C - time shares (100%) (cents) | 25.9 | 69.7 | 121.6 | 226.3 |
| Underlying and Strike price (cents per share) | 100 / 100 | 157 / 100 | 214 / 100 | 326 / 100 |
| Time to expiration (performance shares) | 5 years | 5 years | 5 years | 0.34 years |
| Time to expiration (time shares) | 5 years | 5 years | 5 years | 5 years |
| Volatility | 28% | 28% | 28% | 28% |
| Risk-free interest rate | 0.67% | 0.67% | 0.67% | 0.02%- 0.67% |
| Dividend yield | 0% | 0% | 0% | 0% |

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | 2021 \$'000 |
|--|----------------|
| Expenses arising from share-based payment transactions | 747 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

21 Cash flow information

| (a) Reconciliation of loss after income tax to net cash flows from operating activities | |
|--|----------------|
| | 2021 |
| | \$'000 |
| Net loss after tax | (1,919) |
| <i>Adjustments for:</i> | |
| Depreciation and amortisation | 103,180 |
| Net loss on sale of fixed assets | 2,589 |
| Employee benefits expense - share-based payments | 747 |
| Expected credit losses | 167 |
| Shareholder loan interest | 72,678 |
| Interest – lease liabilities | 3,193 |
| Net bank interest classified as financing cash flows | 55,739 |
| Share of profits of associates | (51) |
| Net exchange differences | (12,814) |
| <i>Change in operating assets and liabilities, net of effects from acquisition of controlled entities:</i> | |
| Increase in receivables | (40,935) |
| Increase in payables | 35,856 |
| Decrease in deferred revenue | (23,375) |
| Increase in income taxes payable | 23,876 |
| Increase in provisions | 14,818 |
| Decrease in prepayments | 13,894 |
| Decrease in deferred tax liabilities | (28,644) |
| Net cash flows from operating activities | 218,999 |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

21 Cash flow information (continued)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets (note 10);
- unpaid interest on the shareholder loans (note 7); and
- partial settlement of a business combination through the issue of shares (note 3).

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

| | 2021 |
|--------------------------------------|--------------------|
| Net debt | \$'000 |
| Cash and cash equivalents (note 8) | 106,781 |
| Borrowings (note 14) | (707,446) |
| Lease liabilities (note 10) | (81,885) |
| Shareholder loans (note 15) | (965,538) |
| Net debt | (1,648,088) |
| Cash and liquid investments | 106,781 |
| Gross debt – fixed interest rates | (965,538) |
| Gross debt – variable interest rates | (789,331) |
| Net debt | (1,648,088) |

| | Liabilities from financing activities | | | |
|------------------------------------|--|--------------------|-----------------|--------------------|
| | Borrowings | Shareholder | Leases | Sub-total |
| | \$'000 | loans | \$'000 | \$'000 |
| | | \$'000 | | |
| Net debt as at 9 March 2020 | - | - | - | - |
| Acquisition of controlled entities | - | - | (59,266) | (59,266) |
| Issue of Series A shares | | (892,860) | - | (892,860) |
| Cash flows | (715,246) | - | 43,817 | (671,429) |
| New Leases (note 10) | - | - | (70,492) | (70,492) |
| Foreign exchange adjustments | 7,800 | - | 7,249 | 15,049 |
| Other changes (i) | - | (72,678) | (3,193) | (75,871) |
| Net debt as at 30 June 2021 | (707,446) | (965,538) | (81,885) | (1,754,869) |

(i) Other changes include non-cash accrued interest expense on the shareholder loans, and the non-cash accretion of interest on the leases.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

22 Events occurring after the reporting period

On 2 July 2021, the group repriced its external debt facilities. There was an unconditional right to defer settlement of the external debt facilities at the balance date. The refinancing of these facilities was considered to be qualitative modifications, with a \$24.6 million loss incurred on extinguishment (inclusive of costs incurred).

On 14 October 2021, the company changed its name from APM Human Services International Pty Ltd to APM Human Services International Limited. The name change has been reflected in these accounts.

On 31 July 2021, the group acquired 100% of Generation Health Pty Limited for \$20.4 million. The provisionally determined fair values of the net assets acquired and goodwill have been shown below. The strategic rationale for the acquisition was to expand the Workcare business in Australia.

| | Provisional fair value \$'000 |
|----------------------------------|-------------------------------------|
| Cash and cash equivalents | 2,613 |
| Trade and other receivables | 3,716 |
| Property, plant and equipment | 967 |
| Right-of-use assets | 991 |
| Intangible assets | 7,522 |
| Trade and other payables | (2,734) |
| Deferred revenue | (312) |
| Provisions | (405) |
| Interest-bearing liabilities | (991) |
| Net identifiable assets acquired | 11,367 |
| Goodwill | 9,080 |
| Net assets acquired | 20,447 |

In addition, on 31 August 2021, the group acquired 100% of The Kaiser Group (DE), LLC for \$22.7 million. The provisionally determined fair values of the net assets acquired and goodwill have been shown below. The strategic rationale for the acquisition was to expand the Workforce development business in the USA.

| | Provisional fair value \$'000 |
|----------------------------------|-------------------------------------|
| Trade and other receivables | 9,892 |
| Property, plant and equipment | 293 |
| Right-of-use assets | 73 |
| Intangible assets | 375 |
| Other non-current assets | 1,038 |
| Trade and other payables | (3,114) |
| Deferred revenue | (214) |
| Interest-bearing liabilities | (73) |
| Net identifiable assets acquired | 8,270 |
| Goodwill | 14,415 |
| Net assets acquired | 22,685 |

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

22 Events occurring after the reporting period (continued)

The goodwill in both acquisitions is attributable to people, experience and know-how of the business. It's the people and processes that enable the business to successfully bid for new work, exceed the performance obligations in its contracts and expand into new industry sectors and markets. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisitions of Generation Health Pty Limited and The Kaiser Group (DE), LLC. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and nor has a formal assessment been performed over any contingent liabilities of the acquired entities.

On 13 October 2021, APM entered into an agreement for the acquisition of ancillary and complementary businesses from entities controlled by Megan Wynne (and one entity in which Megan Wynne and Michael Anghie have a beneficial interest), which remains subject to conditions precedent being met. The consideration for this acquisition is the issue of \$65.8 million of APM shares, \$35.7 million in cash, and up to a maximum of 20 million deferred settlement shares that are subject to earn-out conditions. The acquired businesses will support APM's expansion into providing services in relation to Australia's NDIS and Aged Care sector. The transaction involves the direct or indirect acquisition of Early Start Australia Pty Ltd, Integra Care Pty Ltd, Mobility Holdings Pty Ltd and Mobility Australia Pty Ltd.

23 Commitments

There is no significant capital expenditure contracted for at the end of the reporting period that has not been recognised as a liability.

24 Contingent liabilities

Various entities in the group have in the normal course of business issued \$11.0 million of guarantees to certain customers, suppliers and landlords to guarantee the performance obligations of a controlled entity.

25 Parent entity information

| Statement of Financial Position | Note | 2021 \$'000 |
|---------------------------------|------|-----------------|
| Assets | | |
| Non-current assets | | 969,111 |
| Total assets | | 969,111 |
| Liabilities | | |
| Current liabilities | | 28,159 |
| Non-current liabilities | 1 | 965,538 |
| Total liabilities | | 993,697 |
| Equity | | |
| Contributed equity | | 47,345 |
| Reserves | | 747 |
| Accumulated losses | | (72,678) |
| Total equity | | (24,586) |
| Loss for the period | | (72,678) |
| Total comprehensive loss | | (72,678) |

Notes:

- The non-current liabilities are the Series A non-redeemable preference shares with a carrying value of \$965.5m which are classified as Shareholder Loans. The Series A non-redeemable preference shares have a cumulative 8% coupon rate. In the period ended 30 June 2021, the non-cash accrued interest was \$72.7m.

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

25 Parent entity information (continued)

(a) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries and amounts owed from related parties

Investments in subsidiaries and amounts owed from related parties are accounted for at cost in the consolidated financial statements of APM Human Services International Limited.

(ii) Tax consolidation legislation

The company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, APM Human Services International Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the company for any current tax payable assumed and are compensated by the company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the company under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

APM Human Services International Limited

Notes to the Financial Report (continued)

For the period from incorporation on 9 March 2020 to 30 June 2021

26 Interests in other entities

The group's interests in other entities at 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

| Entity | Country of incorporation | Ownership % held by the group 2021 |
|---|--------------------------|------------------------------------|
| APM Human Services Pty Ltd | Australia | 100% |
| APM Global Holdings Pty Ltd | Australia | 100% |
| International APM Group Pty Ltd | Australia | 100% |
| Advanced Personnel Management Investments Pty Ltd | Australia | 100% |
| Advanced Personnel Management Holdings Pty Ltd | Australia | 100% |
| Advanced Personnel Management Group Pty Ltd | Australia | 100% |
| Advanced Personnel Management International Pty Ltd | Australia | 100% |
| Advanced Personnel Management Global Pty Ltd | Australia | 100% |
| APM Training Services Pty Ltd | Australia | 100% |
| Serendipity (WA) Pty Ltd | Australia | 100% |
| Workcare Australia Pty Ltd | Australia | 100% |
| APM NZ Holdings Limited | New Zealand | 100% |
| APM Workcare Limited | New Zealand | 100% |
| Pelim Ltd | New Zealand | 100% |
| Te Tautoko Nga Tangata Limited | New Zealand | 100% |
| APM Employment Limited | New Zealand | 100% |
| APM Integrated Care Ltd | New Zealand | 100% |
| APM UK Holdings Limited | United Kingdom | 100% |
| Advanced Personnel Management Holdings (UK) Limited | United Kingdom | 100% |
| Advanced Personnel Management Group (UK) Limited | United Kingdom | 100% |
| APM Disability Consultancy Limited | United Kingdom | 100% |
| APM Learning and Education Alliance Limited | United Kingdom | 100% |
| APM Employment Alliance Ltd | United Kingdom | 100% |
| Advanced Personnel Management (UK) Limited | United Kingdom | 100% |
| IPA Personnel Limited | United Kingdom | 100% |
| Ability Insight Limited (formerly Podclass Limited) | United Kingdom | 100% |
| Management Consultancy International Pty Ltd | Australia | 100% |
| Ingeus Australia Holdings Pty Ltd | Australia | 100% |
| Ingeus Australia Investments Pty Ltd | Australia | 100% |
| Ingeus Pty Ltd | Australia | 100% |
| Ingeus Australia Pty Ltd | Australia | 100% |
| Ingeus Victoria Pty Ltd | Australia | 100% |
| Ross Innovative Employment Solutions | United States | 100% |
| DB Grant Associates | United States | 100% |
| WCG Holdings Ltd | Canada | 100% |
| WCG Investments Ltd | Canada | 100% |
| WCG International Consultants Ltd | Canada | 100% |
| Ingeus Pte. Ltd | Singapore | 100% |
| Ingeus Co. Ltd | South Korea | 100% |
| Ingeus Europe Limited | United Kingdom | 100% |
| Ingeus UK Limited | United Kingdom | 100% |
| Invisage Limited | United Kingdom | 100% |

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

26 Interests in other entities (continued)

| Entity | Country of incorporation | Ownership % held by the group 2021 |
|--|--------------------------|------------------------------------|
| Ingeus Scotland Limited | United Kingdom | 100% |
| ITL Training Limited | United Kingdom | 100% |
| CLNR Horizons Limited | United Kingdom | 100% |
| The Reducing Reoffending Partnership Ltd | United Kingdom | 100% |
| Derbyshire Leicestershire Nottinghamshire & Rutland Community Rehabilitation Company Ltd | United Kingdom | 100% |
| The Staffordshire and West Midlands Community Rehabilitation Company Ltd | United Kingdom | 100% |
| Ingeus GmbH | Germany | 100% |
| Ingeus AG | Switzerland | 100% |
| Ingeus S.L.* | Spain | 51% |
| Konekt Limited | Australia | 100% |
| Konektiva Pty Limited | Australia | 100% |
| Konekt Workplace Health Solutions Pty Ltd | Australia | 100% |
| Konekt Employment Pty Ltd | Australia | 100% |
| Konekt International Pty Ltd | Australia | 100% |
| Konekt Australia Pty Ltd | Australia | 100% |
| FBG Group Pty Ltd | Australia | 100% |
| SRC Solutions Pty Ltd | Australia | 100% |
| Communicorp Group Pty Ltd | Australia | 100% |
| Busiflow Nominees Pty Ltd | Australia | 100% |
| Innovative Training & Recruitment Pty Ltd | Australia | 100% |
| MCI Institute Pty Ltd | Australia | 100% |

**This entity is an equity accounted joint venture.*

APM Human Services International Limited
Notes to the Financial Report (continued)
For the period from incorporation on 9 March 2020 to 30 June 2021

27 Auditors' remuneration

| | 2021 |
|---|------------------|
| | \$ |
| Fees to PwC (Australia) | |
| Fees for the audit and review of the financial reports of the group and any controlled entities | 609,000 |
| Fees for other assurance and agreed-upon procedures services | 25,500 |
| Fees for other services | |
| - tax compliance | 33,660 |
| - other | 36,320 |
| | 704,480 |
| Fees to other overseas network firms of PwC (Australia) | |
| Fees for the audit and review of the financial reports of the group and any controlled entities | 506,271 |
| Fees for other services | |
| - tax compliance | 40,357 |
| - other | 25,761 |
| | 572,389 |
| Total services provided by PwC | 1,276,869 |
| Fees to other auditors and their network firms | |
| Fees for the audit and review of the financial reports of the group and any controlled entities | 187,530 |
| Total services provided by other auditors (excluding PwC) | 187,530 |

28 New accounting standards and interpretations

(i) New and amended standards adopted by the group

There are no new or amended accounting standards adopted by the group the period commencing 9 March 2020 that have had a material impact on any entity or transaction within the group.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

APM Human Services International Limited
Directors' Declaration
For the period from incorporation on 9 March 2020 to 30 June 2021

In the directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 62 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Michael Anghie
Director

West Perth
26 October 2021



Independent auditor's report

To the members of APM Human Services International Limited

Our opinion

In our opinion:

The accompanying financial report of APM Human Services International Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the period 9 March 2020 to 30 June 2021
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of changes in equity for the period 9 March 2020 to 30 June 2021
- the consolidated statement of cash flows for the period 9 March 2020 to 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the period 9 March 2020 to 30 June 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 9 March 2020 to 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink, appearing to read "R. Smith", written over a light yellow rectangular background.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "W. P. R. Meston", written over a light yellow rectangular background.

William P R Meston
Partner

Perth
26 October 2021