

# Knosys Limited

ABN 96 604 777 862

## Appendix 4E

### Preliminary Final Report

30 June 2019

#### Reporting period

Report for the year ended 30 June 2019.

Previous corresponding period is the year ended 30 June 2018.

#### Results for announcement to the market

		Increase/(decrease) over previous corresponding period	
	\$	\$	%
Revenue from ordinary activities	2,909,228	283,332	11%
Profit/(Loss) from ordinary activities after tax attributable to members	(771,912)	34,155	4%
Net profit/(loss) for the period attributable to members	(771,912)	34,155	4%

#### Dividends

No dividends were paid or declared during the financial period and it is not proposed to pay dividends.

No dividends have previously been declared or paid in prior financial periods and there are no dividend reinvestment plans in place.

#### Financial statements and Explanation of results

The financial statements for the full year, further information and an explanation of full year results and other information required under Appendix 4E is contained in the 2019 Annual Report, which has been subject to independent audit and which is lodged with this Appendix 4E.

#### Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	2.38 cents	1.57 cents

**Details of entities over which control has been gained or lost during the period. - Nil.**

Signed:



Stephen Kerr  
CFO & Company Secretary

28 August 2019  
Melbourne

**Knosys Limited**

**ABN 96 604 777 862**

**Annual Report**

**30 June 2019**

**Knosys Limited**  
**Chairman's letter to shareholders**  
**30 June 2019**

Dear Shareholders,

I have pleasure in presenting to you the 2019 Annual Report of Knosys Limited and I am pleased to report that the Company has had another successful year during 2019, with strong year-on-year growth in recurring revenues and in total licences on issue.

In August 2018 the Company completed a 7 for 19 Rights Issue, raising \$2.65m (before costs). This completed the \$4 million capital raising which occurred over the period May 2018 to August 2018, including an oversubscribed share placement to sophisticated investors. Your board appreciates and recognises the support provided from existing and new shareholders. The raising of these funds has enabled the company to confidently pursue its business development goals, with increased investment in its sales, marketing, product development and customer success teams.

In September 2018 our CEO, John Thompson, was appointed to the board of directors and we welcome his continued contribution to the Company as our Managing Director. Under the leadership of the Board and John Thompson, the Company has cemented its relationship with key major customers and has continued its focus as a sales-driven technology business, while also continuing to develop and evolve its core product.

During the year our core product, Knowledge IQ, was expanded to include a new Software-as-a-Service product, KIQ Cloud, which was launched in the second half of the year. Our market feedback confirms that we have a relevant and robust knowledge management solution to offer the market at the enterprise level as well as an attractive mid-market offering through KIQ Cloud. The Board is confident that John Thompson and his team will deliver further success for Knosys and its shareholders as we continue to expand our recurring revenue base, improve our operating profitability through scale, and diversify into new products and geographic regions.

Richard (Dick) Levy, one of the founders of the Knosys business, resigned his directorship of Knosys Limited in September 2018 in order to pursue his other business activities and other personal interests. The Board acknowledges Dick's contribution to the success of Knosys over this period and wishes him the very best for the future.

On behalf of the Directors I would like to again thank all investors who supported the Company's fund raising initiative early in the financial year. The capital raising supported the Company's product development and geographic expansion initiatives in the 2019 financial year and we are well funded to continue building our recurring revenue base. We believe that Knosys is well placed to achieve further sales success in the coming year.

I present to you the report on the Company and its controlled entities for the financial period ended 30 June 2019.



Hon. Alan Stockdale AO  
CHAIRMAN

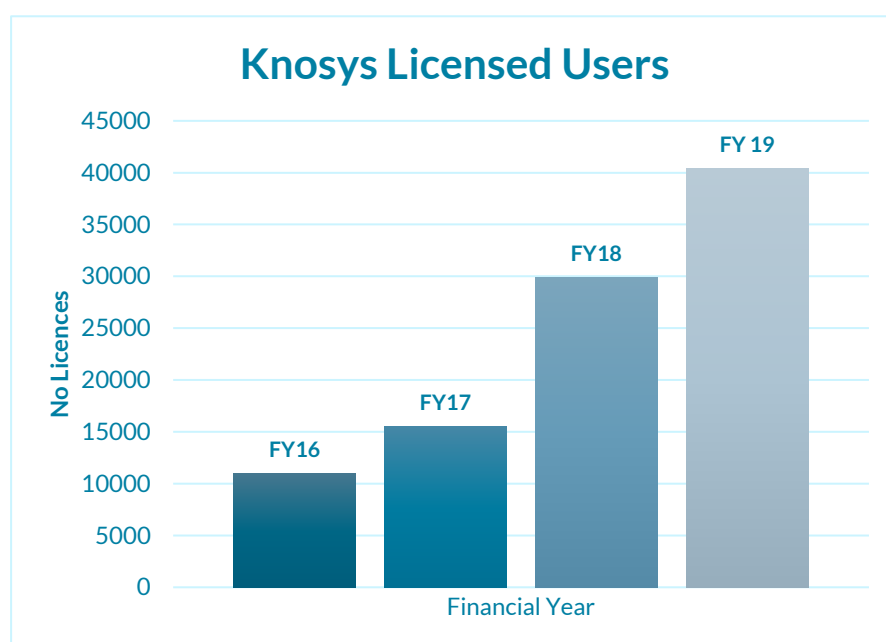
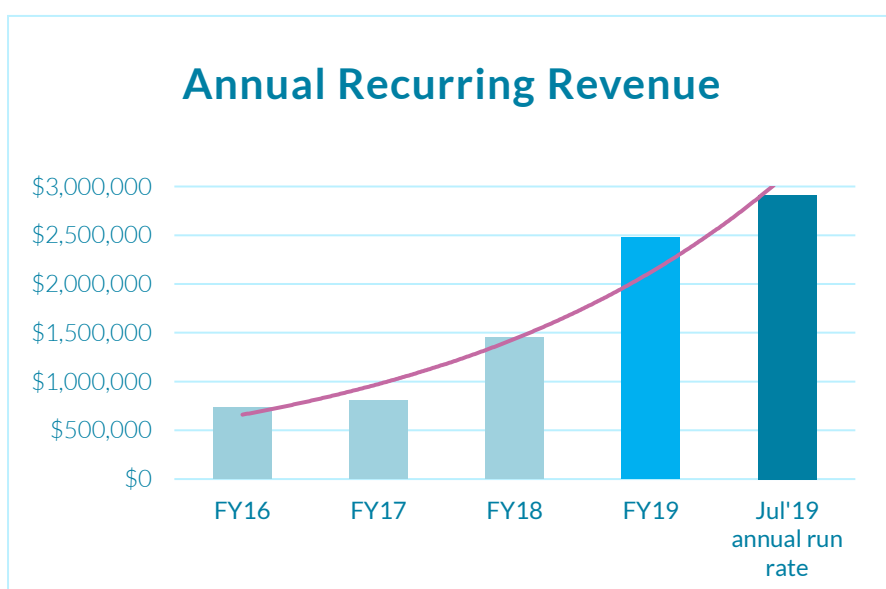
28 August 2019

## **Financial Highlights**

The 2019 financial year has been another positive year for Knosys with improvement in all of the Company's key financial metrics:

- Total operating revenue for the consolidated entity increased by 11% to \$2,909,228 (2018 revenue: \$2,625,906);
- Licence and support fee revenues, increased by 71% to \$2,477,848 (2018: \$1,450,544);
- The licensed user base of the Knosys product had increased by 35% to over 40,430 by the end of 2019;
- The loss for the consolidated entity after providing for income tax reduced by 4.2% to a loss of \$771,912 (2018 loss: \$806,067);
- Net cash outflow from operating activities improved by 72% to \$441,006 (2018 outflow: \$1,597,873); and
- The consolidated entity had net assets of \$3,413,808 at 30 June 2019 (2018: \$1,614,549) and held cash and cash equivalents of \$2,911,318 (2018: \$1,065,266).

Subsequent to year end, total cash balances were over \$4.1 million on 31 July 2019, after the collection of annual licence fees and other June 2019 receivables.



## **Overview of Knosys**

Knosys is a fast-growing Australian SaaS software company that is simplifying omni-channel knowledge management to improve the productivity of employees and drive better customer experiences. Our mission is to deliver knowledge management solutions to enable organizations to strengthen customer loyalty, retention and lifetime value. Our market leading enterprise solution, KnowledgeIQ, is designed to provide personalised information to staff and customers that will transform business productivity and engagement.

The solution is designed to be the core application for an information worker, available on their desktop, tablet or smartphone. This app drives productivity and optimizes processes by incorporating process wizards, decision guidance, collaboration & feedback while at the same time learning based on user behaviours, patterns and profiles. It also acts as the single knowledge hub from which all digital engagement solutions such as chatbots, web sites and self-service kiosks can consume relevant information and interact with end customers in a consistent manner. The Knosys solution can be deployed across many areas of a business including, but not limited to, contact centres, distributed frontline offices, sales teams, compliance and administration.

## **KIQ Cloud**

In April 2019, Knosys launched its new Software-as-a-Service product, KIQ Cloud. KIQ Cloud is a cloud-based, omni-channel knowledge management solution designed to simplify and centralise the organising and sharing of knowledge. KIQ Cloud makes it easy for teams and individuals to find the right information, exactly when they need it, and provides direction for work flows, processes and compliance. The cloud service is perfect for businesses that operate customer contact centres, service desks, frontline offices or online self-service channels.

The cloud service offers mid-market customers an easier onboarding process, lower total cost of ownership and faster implementation by comparison to our enterprise customers. We have onboarded our first mid-market customer to this new offering and expect more signings during the next 12-month period as we build awareness and adoption in this space. KIQ Cloud complements our enterprise offering and will assist in smoothing out the sales and revenue profile of the company.

## **Positioned for growth**

Following the successful capital raising, which concluded in early August 2018, Knosys has progressively increased its investment in the sales, marketing, product development and customer success teams in order to pursue customer and revenue growth in Australia and New Zealand and in selected Asian and Pacific markets. Our strategy is to leverage off the successful contract announcements with Singtel and Optus and recruit additional business development and marketing employees. These additional employees have and will focus primarily on making sales of the Company's leading enterprise software platform, KnowledgeIQ, and the new KIQ Cloud service. The Company also undertook a broader digital marketing campaign and sponsored a number of industry conferences to build the brand awareness of Knosys. The Company has also continued to invest in ongoing product development and innovation, focusing on integrations and enhancements to simplify usage and drive adoption.

There has been an increase in inbound interest in KIQ Cloud service and we have seen the number of customer demonstrations increase towards the end of the last quarter, which positions the business well for further success in FY20. Our recurring revenue base increased by over 70% in the 2019 financial year and we expect that it will continue to grow through the acquisition of new customers and licenses.

## **Expansion into Asia Pacific region**

Growth activities in 2019 included the expansion into Singapore with the opening of a local office to facilitate better engagement with customers, prospects and partners. This is the first step in our plan to grow our sales footprint in the APAC region. The set-up of the Singapore office has been finalised and sales initiatives in the Asia Pacific region have now commenced. Knosys now has sales offices in Sydney, Melbourne and Singapore, giving the business the ability to access the wider APAC market, in order to support its growth strategy and service its customers. The Singapore office will expand our relationship with Singtel in the region and the strategy is to secure additional new customers in Singapore and surrounding countries.

### **Enterprise opportunity**

The Company continued to invest in sales and marketing capability in the year to June 2019 in order to pursue multiple enterprise opportunities. Knosys has been shortlisted for a number of these enterprise customers and we expect additional tender opportunities in FY20.

We continue to have a positive relationship with our enterprise customers including ANZ Bank, Optus and Singtel and these existing customers continue to be a source of revenue growth as we experience demand for additional licences and services. Our market feedback confirms that we have a relevant and robust enterprise level knowledge management solution for the market. Our sales effort in FY20 will remain focused on building upon this solid base through direct sales initiatives and partner relationships.

### **Outlook**

We enter the 2020 financial year in a strong position with a growing recurring revenue base and increased operating leverage. The Company believes FY20 will bring the following:

1. Continued growth in the recurring revenue base through new customers and an increase in user numbers;
2. Diversification of customer base into new market sectors including energy and public service organisations;
3. Increased customer adoption of our new KIQ cloud product and services;
4. Organic growth in revenues from existing customers; and
5. Improved operating leverage through revenue growth and a stable cost base leading towards operating EBITDA profitability.

In addition, the Company will continue to look at synergist acquisitions to expand its solution portfolio with related cloud services focused on engagement, risk and information management.

I would like to thank our dedicated staff for executing on our growth strategy of new product development, revenue diversification and geographic expansion in the 2019 financial year. Our business is very well positioned to keep growing our recurring revenue and we are moving towards an EBITDA positive position. We are looking forward to an exciting year ahead.



John Thompson  
MANAGING DIRECTOR

28 August 2019

**Knosys Limited  
Directors' report  
30 June 2019**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Knosys Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

**Directors**

The following persons were directors of Knosys Limited during the period from 1 July 2018 to the date of this report, unless otherwise stated:

Hon. Alan Stockdale (Non-executive Chairman)

Mr John Thompson (Managing Director) – Appointed as a director on 26 September 2018. CEO since July 2016.

Richard Levy (Non-executive Director) – Retired 26 September 2018

Peter Pawlowitsch (Non-executive Director)

**Review of operations**

Refer Managing Director's Operations Report.

**Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Computer software sales, licencing and development.

**Dividends**

No dividends were paid or declared during the financial year.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than those discussed already in the review of operations.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

Knosys expects a continued expansion of the market and the adoption of knowledge management and business process technology and the Company is again well placed to expand its customer base and add to our offerings through internal developments and acquisition of technologies. The consolidated entity continues to have a significant sales pipeline in the APAC markets. The Company will continue to invest in sales and marketing capability in the year to June 2020 in order to enable the Company's Melbourne, Sydney and Singapore based sales team to pursue the multiple enterprise and mid-market opportunities in its sales pipeline, with the aim of converting them into subscription based contracts. In addition, the Company will assess any complimentary acquisitions.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

Name:	Hon. Alan Stockdale AO
Title:	Non-Executive Chairman
Experience and expertise:	<p>Hon. Alan Stockdale AO served as Treasurer in the Victorian Government from 1992 to 1999 and his responsibilities included the Government reform agenda and general financial management.</p> <p>Alan was responsible for the privatisation of \$A30 billion of Government business enterprises. He was also Minister for IT and Multimedia from 1996 to 1999, promoting Victoria as a leader in the application of multimedia and new information technologies. In the private sector, Alan was employed by Macquarie Bank for a total of six years, co-leading the Macquarie team that successfully bid to acquire Sydney Airport. Taking on a number of other corporate advisory roles, he was involved in a wide range of infrastructure transactions, especially in the power, gas and transport sectors in Australia and overseas.</p> <p>Alan has developed a career as a company Chairman and director of a number of ASX-listed companies and of various unlisted companies and not-for-profit organisations. He has been Chairman of Axon Instruments Inc (incorporated in the USA and listed on the ASX), Symex Holdings Limited, Senetas Corporation Limited and a director of Marriner Financial Limited - all companies listed on the ASX. He is a consultant to Metro Trains and previously was a consultant to Maddocks Lawyers, a member of the Advisory Board of Lazard Australia and Chairman of the Medical Research Commercialisation Fund.</p> <p>He was Federal President of the Liberal Party from 2008 to 2014.</p> <p>Alan holds a Bachelor of Laws and a Bachelor of Arts, both completed at the University of Melbourne, is a Barrister of the Supreme Courts of Victoria and NSW and the High Court of Australia and was a Fellow of the Australian Institute of Company Directors. Mr Stockdale has been a director since 30 April 2015.</p>
Directorships held in other listed entities in the last 3 years	Nil.
Interests in shares	250,000 ordinary shares
Interests in options	Nil Options (500,000 options lapsed 1 July 2019)
Name:	Richard Levy (retired 26 September 2018)
Title:	Non-Executive Director
Experience and expertise:	<p>Richard Levy has had 27 years automotive manufacturer (Nissan/Ford) and supplier (Air International) experience in sales and marketing management positions including four years as Director of Sales and Dealer Operations at Nissan. He has also had investments and participation in several commercial ventures including food, travel and now internet businesses. Richard has been a partner and was Managing Director (resigned February 2017) of MMG Interactive for 17 years including involvement with servicing many blue chip and high value SME customers, and has also published papers on the internet and the auto industry - both business-to-business and business-to-consumer. He was and continues to be a founding owner of apStream, an internet streaming services company, and is a director and founding owner of Fourth Mode Pty Ltd and a significant shareholder in startup company Mesh Assist Pty Ltd.</p> <p>Richard holds an Economics degree from the ANU.</p> <p>Mr Levy was a director from 30 April 2015 until 26 September 2018.</p>
Directorships held in other listed entities in the last 3 years	Nil
Interests in shares	10,437,260 ordinary shares
Interests in options	Nil Options (1,000,000 options lapsed 1 July 2019)



**Information on directors (cont.)**

Name:	Peter Pawlowitsch
Title:	Non-Executive Director
Experience and expertise:	<p>Peter Pawlowitsch is an accountant by profession with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors during the last 15 plus years.</p> <p>Peter is a non-executive director of Dubber Corporation Limited (appointed a director on 26 September 2011), VRX Silica Ltd (appointed 12 February 2010) and Novatti Group Limited (appointed 19 June 2015) and he was a non-executive director of Rewardle Holdings Limited (30 May 2017 to 2 January 2019), all ASX-listed companies. Peter holds a Bachelor of Commerce from the University of Western Australia, is a current member of CPA Australia, a Fellow of Governance Institute of Australia and also holds a Masters of Business Administration from Curtin University.</p> <p>Mr Pawlowitsch has been a director since 16 March 2015.</p>
Directorships held in other listed entities in the last 3 years	<p>Dubber Corporation Limited (ASX:DUB)</p> <p>VRX Silica Limited (ASX:VRX)</p> <p>Novatti Group Limited (ASX:NOV)</p> <p>Rewardle Holdings Limited (ASX:RXH)</p>
Interests in shares	1,231,578 ordinary shares
Interests in options	Nil Options (500,000 options lapsed 1 July 2019)
Name:	John Thompson (appointed as a director on 26 September 2018)
Title:	Managing Director
Experience and expertise:	<p>John Thompson (BEng Hons, MBA) has held the role of CEO since 18 July 2016. Mr. Thompson brings a wealth of leadership experience having worked for more than 20 years at the helm of renowned technology companies. Most recently, Mr. Thompson spent 11 years as CEO of Sigtec and 5 years as CEO of Wavenet International, in addition to 5 years with CS Communications and Systems in New York and London. Mr. Thompson received a first class honours degree in Engineering from the Queensland University of Technology and a Master of Business Administration from the City University Business School in London. Mr. Thompson has a strong record of driving sales and revenue and has extensive experience as a capable CEO providing pivotal leadership expertise across UK, US, Australia and New Zealand markets for multi-national, listed, IPO and start-up technology companies.</p> <p>Mr Thompson has been a director since 26 September 2018.</p>
Directorships held in other listed entities in the last 3 years	Nil
Interests in shares	2,342,857 ordinary shares
Interests in options	Nil

**Company Secretary and Chief Financial Officer**

Stephen Kerr (BCom, CA, FGIA) has held the role of CFO and Company Secretary since July 2015. Stephen Kerr is a qualified chartered accountant and chartered company secretary. He is an experienced CFO and governance professional, having held senior finance positions in private and publicly listed company environments across Australia and New Zealand for over 20 years. Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of Chartered Accountants Australia and New Zealand and a Fellow of the Governance institute of Australia.

### **Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held from 1 July 2018 to the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Hon. Alan Stockdale	10	10
Richard Levy (retired Sept 2018)	3	3
Peter Pawlowitsch	10	10
John Thompson (appointed a director Sept 2018)	7	7

Held: represents the number of meetings held during the time the director held office.

### **Remuneration Report (audited)**

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

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

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

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

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

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

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

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The executive remuneration framework is structured to be market competitive and complementary to the strategy of the consolidated entity.

#### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. No such advice was sought for the financial year ended 30 June 2019. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The current maximum aggregate remuneration payable to non-executive directors of the consolidated entity in any financial year is \$500,000.

## **Remuneration report (cont.)**

### *Executive remuneration*

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

The executive remuneration and reward framework has four components:

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

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual performance and the overall performance of the consolidated entity and comparable market remunerations.

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

The short-term incentives ('STI') program is designed to align the targets of the business with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific targets and/or key performance indicators ('KPI's') being achieved. These targets are discussed in further detail in the description of service agreements which forms part of this Remuneration Report.

The long-term incentives ('LTI') include long service leave and share-based payments. Options are awarded to executives, vesting over a period of three years based on elapsed time and/or achievement of long-term incentive measures.

### *Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined revenue and earnings targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

In considering the performance of the consolidated entity and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous financial years.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Profit / (loss) attributable to owners of the parent entity	(771,912)	(806,067)	(2,085,018)
Dividends paid	-	-	-
Operating revenue growth	10.8%	224.7%	9.9%
Change in operating income	4.2%	61.3%	(47.8%)
Change in share price	25%	(57%)	(40%)
Return on capital employed	(31%)	(69%)	(80%)

Profit is one of the financial performance targets considered in setting the Short Term Incentive (STI). Profit amounts have been calculated in accordance with Australian Accounting Standards (AASB's). Operating income is operating profit as reported in the statement of profit or loss.

## **Details of remuneration**

### *Amounts of remuneration*

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

**Remuneration report (cont.)**

The key management personnel of the consolidated entity during the year to 30 June 2019 consisted of the following directors of Knosys Limited:

- Alan Stockdale - Non-Executive Chairman
- Peter Pawlowitsch - Non-Executive Director
- John Thompson – Managing Director (appointed a director 26 September 2018)
- Richard Levy - Non-Executive Director (retired 26 September 2018)

And the following persons:

- Stephen Kerr - Company Secretary and Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2019</b>							
<i>Non-Executive Directors:</i>							
Alan Stockdale	54,795	-	-	5,205	-	-	60,000
Peter Pawlowitsch	36,530	-	-	3,470	-	-	40,000
Richard Levy	-	-	-	10,000	-	-	10,000
<i>Executive Director:</i>							
John Thompson	305,595	10,000	9,746	24,000	-	15,250	364,591
<i>Other Key Management Personnel:</i>							
Stephen Kerr	142,150	16,000	10,583	24,921	-	24,483	218,137
	<u>539,070</u>	<u>26,000</u>	<u>20,329</u>	<u>67,596</u>	<u>-</u>	<u>39,733</u>	<u>692,728</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2018</b>							
<i>Non-Executive Directors:</i>							
Alan Stockdale	54,795	-	-	5,205	-	1,200	61,200
Peter Pawlowitsch	36,530	-	-	3,470	-	1,200	41,200
Richard Levy	20,000	-	-	20,000	-	2,401	42,401
<i>Other Key Management Personnel:</i>							
John Thompson	281,715	88,000	22,559	24,885	-	27,900	445,059
Stephen Kerr	150,868	83,000*	9,629	24,332	-	48,882	316,711
	<u>543,908</u>	<u>171,000</u>	<u>32,188</u>	<u>77,892</u>	<u>-</u>	<u>81,583</u>	<u>906,571</u>

\* 2018 Cash bonus for Stephen Kerr includes FY18 bonus of \$53,000 accrued for in 2018, and FY17 bonus of \$30,000, assessed and paid in FY18.

**Knosys Limited**  
**Directors' report**  
**30 June 2019**

For the financial year, the actual proportions of fixed remuneration and of remuneration linked to performance are as follows:

Name	Fixed remuneration 2019	At risk - STI 2019	At risk - LTI 2019
<i>Non-Executive Directors:</i>			
Alan Stockdale (Chairman)	100%	-%	-%
Peter Pawlowitsch	100%	-%	-%
Richard Levy	100%	-%	-%
<i>Managing Director:</i>			
John Thompson	93%	3% (21% available)	4%
<i>Other Key Management Personnel:</i>			
Stephen Kerr	82%	7% (24% available)	11%

Name	Fixed remuneration 2018	At risk - STI 2018	At risk - LTI 2018
<i>Non-Executive Directors:</i>			
Alan Stockdale (Chairman)	98%	-%	2%
Peter Pawlowitsch	97%	-%	3%
Richard Levy	94%	-%	6%
<i>Other Key Management Personnel:</i>			
John Thompson	74%	20%	6%
Stephen Kerr	58%	26%	15%

**Service agreements**

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

Name:	John Thompson
Title:	Chief Executive Officer
Agreement commenced:	18 July 2016
Term of agreement:	No fixed term
Details:	Annual base salary for the year ending 30 June 2019 of \$329,595 including superannuation. Remuneration to be reviewed annually by the Board, 6 month termination notice by either party, STI performance bonus of up to \$90,000 (including statutory superannuation) based on financial and non-financial KPI's, including achievement of budget, over achievement of budget, new sales orders, leadership, customer relations, investor relations, and product development. Non-disclosure, non-solicitation and non-compete clauses apply. An amount of \$10,000 relating to performance in the 2019 year was assessed as a bonus entitlement for the 2019 financial year.

**Knosys Limited  
Directors' report  
30 June 2019**

Name: Stephen Kerr  
 Title: Chief Financial Officer and Company Secretary  
 Agreement commenced: 9 June 2015  
 Term of agreement: No fixed term  
 Details: Annual base salary for the year ending 30 June 2019 of \$188,340 including superannuation, employment is for three days per week during normal working hours on days agreed with the CEO and reasonable additional hours during these days in order to perform responsibilities and duties. Remuneration to be reviewed annually by the Board, 3 month termination notice by either party, STI performance bonus of up to \$60,000 (including statutory superannuation) based on financial and non-financial KPI's, non-disclosure, non-solicitation and non-compete clauses. An amount of \$16,000 relating to performance in the 2019 year was assessed as a bonus entitlement in the 2019 financial year.

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

***Share-based compensation***

***Issue of shares***

The terms and conditions of each issue of loan funded shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Number of shares	Expiry date	Issue price	Fair value per loan share at issue date
November 2017	1,200,000	November 2022	6 cents	2.33 cents
January 2018	500,000	February 2023	10 cents	5.85 cents
November 2018	1,000,000	November 2023	8 cents	1.53 cents
December 2018	500,000	December 2023	8 cents	1.10 cents

1,200,000 loan shares were granted to John Thompson in November 2017 and were fully vested at 30 June 2018, with 500,000 loan shares vesting on grant date and the balance vesting in equal portions each month from grant date to 30 June 2018. These loan funded shares were subject to time based vesting hurdles only.

500,000 loan shares were granted to Stephen Kerr in January 2018 and were 100% vested at 30 June 2018, with 250,000 vesting on grant date, 25% vesting 6 months after grant date and 25% vesting 12 months after grant date. These loan funded shares were subject to time based vesting hurdles only.

1,000,000 loan shares were granted to John Thompson in November 2018 and were 25% vested at 30 June 2019. 75% of the loan shares remained unvested at 30 June 2019 because vesting hurdles, based on the market price of Knosys shares at 30 June 2019, had not been achieved.

500,000 loan shares were granted to Stephen Kerr in December 2018 and were 25% vested at 30 June 2019. 75% of the loan shares remained unvested at 30 June 2019 because vesting hurdles, based on the market price of Knosys shares at 30 June 2019, had not been achieved.

Participants acquire loan funded shares using a loan provided by the consolidated entity. The loan is interest-free and limited recourse in accordance with the loan terms. The loan shares are restricted securities. The loan terms require the loan to be repaid before a participant can receive any proceeds from the sale of their shares.

Refer Note 21 in the notes to the financial statements, for further general terms of the loan funded shares.

### *Options*

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

Grant date	Number of options	Expiry date	Exercise price	Fair value per option at grant date
May 2015	2,000,000	July 2019	25 cents	3.14 cents
June 2015	425,000	July 2019	25 cents	3.14 cents
October 2016	500,000	October 2020	25 cents	14.6 cents

Options granted carry no dividend or voting rights.

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

### **Vesting and Entitlement**

For the Directors, the 2,000,000 options are fully vested. These options vested over time, in equal amounts (except for slight adjustments to avoid fractions) every three months, commencing 1 July 2015 with the final vesting date being 1 April 2018. No performance hurdles were attached to these options. These options are no longer subject to any escrow conditions.

For the 425,000 fully vested options issued to Stephen Kerr, these options vested over time, every three months, commencing 1 July 2015 with the final vesting date being 1 April 2018. 20,000 Options vested on the first two vesting dates, and 38,500 Options vested on subsequent vesting dates. No performance hurdles were attached to these options and these options are not subject to any escrow conditions.

For the 500,000 options issued to Stephen Kerr through the employee share option plan (ESOP), the options are service based and vest over time in three equal amounts every 12 months, commencing 1 October 2017 with the final vesting date being 1 October 2019. If the relevant holder is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder. The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder. No performance hurdles are attached to these options and these options are not subject to any escrow conditions.

### **Shares issued on the exercise of options**

No ordinary shares of Knosys Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of options granted.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of options vesting and exercisable during the year 2019	% of options vesting and exercisable during the year 2019	Number of options forfeited during the year 2019	% of options forfeited during the year 2019
Stephen Kerr	166,666	18%	-	-

<b>2018</b>	Number of options vesting and exercisable during the year 2018	% of options vesting and exercisable during the year 2018	Number of options forfeited during the year 2018	% of options forfeited during the year 2018
Name				
Alan Stockdale	166,667	33%	-	-
Peter Pawlowitsch	166,667	33%	-	-
Richard Levy	333,334	33%	-	-
Stephen Kerr	320,667	35%	-	-

***Additional disclosures relating to key management personnel***

***Shareholding***

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Alan Stockdale	-	-	250,000	-	250,000
Peter Pawlowitsch	900,000	-	331,578	-	1,231,578
Richard Levy	10,292,260	-	145,000	-	10,437,260
John Thompson	1,200,000	1,000,000 <sup>1</sup>	142,857	-	2,342,857
Stephen Kerr	600,000	500,000 <sup>1</sup>	521,759	-	1,621,759
	<u>12,992,260</u>	<u>1,500,000</u>	<u>1,391,194</u>	<u>-</u>	<u>15,883,454</u>

1. Shares issued as loan funded shares in the current year.

***Option holding***

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

	Balance at the start of the year	Granted / exercised / expired / forfeited	Balance at the end of the year - vested	Balance at the end of the year - unvested	Balance at the end of the year
<i>Options over ordinary shares</i>					
Alan Stockdale	500,000	-	500,000	-	500,000
Peter Pawlowitsch	500,000	-	500,000	-	500,000
Richard Levy	1,000,000	-	1,000,000	-	1,000,000
Stephen Kerr	925,000	-	758,333	166,667	925,000
	<u>2,925,000</u>	<u>-</u>	<u>2,758,333</u>	<u>166,667</u>	<u>2,925,000</u>

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

Nil.

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

**Options**

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

Date of expiry		Exercise price	Number under option
1 July 2020	unlisted	\$0.29	300,000
1 Oct 2020	unlisted	\$0.25	500,000
1 Oct 2020	unlisted	\$0.25	750,000
24 Dec 2021	unlisted	\$0.12	2,000,000

Each option carries no rights other than the right, once vested, to subscribe for one fully paid ordinary share at the exercise price. No options were exercised during the period.

**Indemnity and insurance of officers**

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

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



**Indemnity and insurance of auditor**

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

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

**Corporate Governance Statement**

The company's corporate governance statement can be found on the company website at <https://knosys.it/investor>

**Proceedings on behalf of the company**

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

**Non-audit services**

During the year no non-audit services were provided.

**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 the following page.

**Auditor**

William Buck Audit (VIC) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the directors



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Hon. Alan Stockdale AO  
Director

28 August 2019  
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF KNOSYS LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136

*A. A. Finnis*

**A. A. Finnis**

Director

Dated this 28<sup>th</sup> day of August 2019

**ACCOUNTANTS & ADVISORS**

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Melbourne VIC 3000

Telephone: +61 3 9824 8555

**williambuck.com**

**Knosys Limited**  
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**30 June 2019**

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**General information**

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

Knosys Limited is listed on the Australian Securities Exchange (ASX:KNO) and is incorporated and domiciled in Australia.

**Registered office**

Part Level 8  
31 Queen Street  
Melbourne VIC 3000

**Principal place of business**

Part Level 8  
31 Queen Street  
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue on 28 August 2019, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

**Knosys Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**

	<b>Note</b>	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
<b>Revenue</b>	3	2,909,228	2,625,906
Research and development tax refund		583,233	474,867
Other income		68,010	78,132
<b>Expenses</b>			
Licence fee and support expense		(358,613)	(154,179)
Payments to suppliers for research and development activities		(57,470)	(385,337)
Employee benefits expense	4	(2,858,366)	(2,314,468)
Depreciation and amortisation expense		(45,527)	(28,338)
Legal and accounting expense		(144,405)	(69,760)
Travel and accommodation expense		(120,705)	(147,720)
Finance costs		-	(323,036)
Administration and corporate expense	4	(747,297)	(562,134)
<b>Loss before income tax</b>		(771,912)	(806,067)
Income tax (expense) credit	5	-	-
<b>Loss after income tax expense for the year attributable to owners of the parent</b>		(771,912)	(806,067)
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<u>(771,912)</u>	<u>(806,067)</u>
<b>Loss per share for loss attributable to the owners of the parent</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	23	(0.56)	(0.99)

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

**Knosys Limited**  
**Statement of financial position**  
**As at 30 June 2019**

	<b>Note</b>	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,911,318	1,065,266
Trade receivables	6	1,729,553	668,215
Other receivables		-	40,345
Accrued research and development tax refund receivable		420,247	361,073
Prepayments & sundry debtors		48,887	21,680
Total current assets		<u>5,110,005</u>	<u>2,156,579</u>
<b>Non-current assets</b>			
Plant and equipment	7	<u>176,883</u>	<u>57,432</u>
Total non-current assets		<u>176,883</u>	<u>57,432</u>
<b>Total assets</b>		<u>5,286,888</u>	<u>2,214,011</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	375,751	392,028
Provisions for employee benefits		167,414	142,383
Revenue billed in advance	9	<u>1,329,915</u>	<u>65,051</u>
Total current liabilities		<u>1,873,080</u>	<u>599,462</u>
<b>Total liabilities</b>		<u>1,873,080</u>	<u>599,462</u>
<b>Net assets</b>		<u>3,413,808</u>	<u>1,614,549</u>
<b>Equity</b>			
Issued capital	10	8,312,409	5,901,852
Share based payments reserve	21	695,229	534,615
Accumulated losses		<u>(5,593,830)</u>	<u>(4,821,918)</u>
<b>Total equity</b>		<u>3,413,808</u>	<u>1,614,549</u>

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

**Knosys Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2019**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	4,403,765	513,633	(4,190,809)	726,589
Loss after income tax expense for the year	-	-	(806,067)	(806,067)
Total comprehensive loss for the year	-	-	(806,067)	(806,067)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (Note 10)	1,498,087	-	-	1,498,087
<i>Retirement of convertible note reserve to accumulated losses</i>	-	(174,958)	174,958	-
Vesting of share based payments (Note 21)	-	195,940	-	195,940
Balance at 30 June 2018	<u>5,901,852</u>	<u>534,615</u>	<u>(4,821,918)</u>	<u>1,614,549</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	5,901,852	534,615	(4,821,918)	1,614,549
Loss after income tax expense for the year	-	-	(771,912)	(771,912)
Total comprehensive loss for the year	-	-	(771,912)	(771,912)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Note 10)	2,410,557	-	-	2,410,557
Vesting of share based payments (Note 21)	-	160,614	-	160,614
Balance at 30 June 2019	<u>8,312,409</u>	<u>695,229</u>	<u>(5,593,830)</u>	<u>3,413,808</u>

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

**Knosys Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2019**

	<b>Note</b>	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		3,332,585	1,433,257
Payments to suppliers and employees		(4,362,247)	(3,283,688)
Research and development tax refund		524,059	341,865
Interest received		37,780	36,967
Interest paid		-	(167,439)
Grant revenue		26,817	41,165
Net cash used in operating activities	20	<u>(441,006)</u>	<u>(1,597,873)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		<u>(164,978)</u>	<u>(48,841)</u>
Net cash used in investing activities		<u>(164,978)</u>	<u>(48,841)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,654,857	1,371,101
Repayment of convertible notes		-	(1,410,044)
Share issue transaction costs		<u>(202,821)</u>	<u>(90,493)</u>
Net cash from financing activities		<u>2,452,036</u>	<u>(129,436)</u>
Net increase (decrease) in cash and cash equivalents		1,846,052	(1,776,150)
Cash and cash equivalents at the beginning of the financial year		<u>1,065,266</u>	<u>2,841,416</u>
Cash and cash equivalents at the end of the financial year		<u><u>2,911,318</u></u>	<u><u>1,065,266</u></u>

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

## **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

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

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **AASB 15 Revenue ("AASB 15")**

The consolidated entity has adopted AASB 15 with the date of initial application being 1 July 2018. In accordance with the transition provisions in AASB 15 the standard has been applied using the modified retrospective approach. On this basis there were no restatements of prior comparative balances. At 30 June 2019, all material contracts were assessed by the consolidated entity and it was determined that the adoption of AASB 15 had no significant impact on the consolidated entity.

### **AASB 9 Financial Instruments ("AASB 9")**

The consolidated entity has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces *AASB 139 Financial Instruments: Recognition and Measurement* ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 below.

#### *Measurement and classification*

At the date of initial application, existing financial assets and liabilities of the consolidated entity were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been de-recognised as at 1 July 2018. In this regard, the consolidated entity has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

<b>Class of financial instrument presented in the statement of financial position</b>	<b>Original measurement category under AASB 139 (i.e. prior to 1 July 2018)</b>	<b>New Measurement category under AASB 9 (i.e. from 1 July 2018)</b>
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 30 June 2019.

### **Impairment of financial assets**

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the consolidated entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the consolidated entity to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the consolidated entity is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 July 2018, the consolidated entity reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the consolidated entity concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the consolidated entity recognises lifetime ECL. The result of the assessment is set out below:



**Note 1. Significant accounting policies (continued)**

<b>Items existing at 1 July 2018 that are subject to the impairment provisions of AASB 9</b>	<b>Credit risk attributes</b>	<b>Cumulative additional loss allowance required on 1 July 2018</b>
Cash and cash equivalents	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable financial institutions.	-
Trade receivables	The consolidated entity applied the simplified approach and concluded that the lifetime ECL would be negligible on receivable balances not already provided for and therefore no loss allowance was required at 1 July 2018.	-

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Legal Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity is disclosed in note 17.

**Principles of consolidation**

A controlled entity is any entity controlled by an accounting acquirer. Control exists where an entity has the capacity and power to govern the decision-making in relation to the financial and operating policies of an investee and also participate in the variable returns of that investee.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies adopted by the parent entity.

**Foreign currency translation**

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

*Foreign currency transactions*

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

**Note 1. Significant accounting policies (continued)**

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

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

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

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

The consolidated entity earns revenues from its software services. Of these, a portion relates to licensing and support of its software, which is performed over a period of time and for which revenue is recognised over a period of time due to the customer only having a right of access over the software throughout the contract period. For software implementation services provided to the customer, which is specified in the customer contract, revenue is recognised over time as that implementation is performed.

*Research and development tax refund income*

Research and development tax refund income is measured on an accruals basis when the refund can be reliably determined.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Refer to Note 22 segment note for a disaggregation of revenue per geographical location.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Note 1. Significant accounting policies (continued)**

**Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 30 days.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**Plant and equipment**

*Recognition and measurement*

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss. If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items of plant and equipment. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

*Depreciation*

Depreciation is calculated to write off the costs of the items of plant and equipment over their estimated useful lives and is generally recognised in profit and loss. Depreciation methods and useful lives are reviewed at each reporting period and adjusted if appropriate.

The estimated useful life of plant and equipment for current and comparative periods is 3 years.

**Trade and other payables**

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

**Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*

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

**Note 1. Significant accounting policies (continued)**

*Other long-term employee benefits*

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

*Defined contribution superannuation expense*

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

*Share-based payments*

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

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

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

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

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

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

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

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

**Revenue billed in advance**

Revenue billed in advance represents contract liabilities that the consolidated entity is obliged to transfer services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

**Issued capital**

Ordinary shares are classified as equity.

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

**Note 1. Significant accounting policies (continued)**

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

**Earnings per share**

Basic earnings per share is calculated as net profit/loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue during the relevant period.

Diluted earnings per share is calculated as net profit/loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element, during the relevant period.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended and have been adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**Note 1. Significant accounting policies (continued)**

**AASB 16 Leases**

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities, on a net present value basis, for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee recognises depreciation of the right of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Management has assessed that the standard AASB 16: Leases will have a material effect on the financial statements impacting through the capitalisation of right to use leased assets and the corresponding lease liability connected with the current rental arrangement. A right of use asset of approximately \$0.5 million has been recorded as at 1 July 2019.

Refer to Note 16 for the Group's current lease commitments.

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The following key judgements are relevant to these financial statements:

***Estimation of accrued research and development tax refund***

As at 30 June 2018 the consolidated entity had accrued \$361,073 in accrued research and development tax refund credits in-respect of the 2018 tax return. The directors of the consolidated entity engaged an industry expert to prepare and lodge this return. This amount plus an additional \$163,233 was receipted into the bank in May 2019 in regard to the 2018 tax return and R&D claim. Based upon the methodology adopted by the industry expert, the consolidated entity has accrued a research and development tax refund receivable of \$420,247 for the 2019 financial year. Key matters considered by the directors in calculating this accrual included the following:

- The historical success of lodging and receipting such claims;
- The quantum of eligible research and development spend made during the period; and
- A consideration of any potential change in the assessment of eligibility criteria as gazetted by the Federal government.

***Share based payments***

As stated in Note 1, the consolidated entity has issued options and loans shares to directors, executives and staff as part of their remuneration arrangements and has issued options and shares to third parties in consideration for consultancy services received. Management judgements and estimates are required in determining the cost of these equity-settled transactions which have been measured by taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

***Recovery of deferred tax assets***

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

**Knosys Limited**  
**Notes to the financial statements**  
**30 June 2019**

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Licence and support fees	2,477,848	1,450,544
Rendering of services	431,380	1,175,362
	<hr/>	<hr/>
Revenue	<u>2,909,228</u>	<u>2,625,906</u>

**Note 4. Expenses**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	95,262	92,666
	<hr/>	<hr/>
<i>Employee benefits expense</i>		
<i>Superannuation expense</i>		
Accumulation fund Superannuation expense	206,788	142,532
	<hr/>	<hr/>
Share based payments expense	96,614	195,940
	<hr/>	<hr/>

**Note 5. Income tax expense**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current Tax benefit	(78,668)	(63,876)
Deferred tax - origination and reversal of temporary differences	(6,884)	(13,376)
Deferred tax assets not recognised	85,552	77,252
	<u>-</u>	<u>-</u>
Aggregate income tax expense	<u>-</u>	<u>-</u>
 <i>Unrecognised deferred tax assets</i>		
Unused tax losses for which no deferred tax asset has been recognised	821,738	736,186
 <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(771,912)	(806,067)
Tax at the statutory tax rate of 27.5%	(212,276)	(221,668)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	3,877	464
Research and development costs	256,667	220,656
Share based payments expense	26,569	53,884
Non-assessable R&D refund	(160,389)	(130,588)
	<u>(85,552)</u>	<u>(77,252)</u>
Deferred tax assets not recognised	85,552	77,252
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,729,553	668,215

As at 30 June 2019, the aging analysis of trade receivables is as follows:

	Total	Neither past	Past due but not impaired			
	\$	due nor impaired	< 30 days	30-60 days	61-90 days	90+ days
	\$	\$	\$	\$	\$	\$
2019	1,729,553	138,915	1,556,442	-	34,196	-
2018	668,215	-	597,197	56,412	-	14,606

As at 30 June 2019 no trade receivables were impaired (2018: Nil).

Refer Note 1 – Trade and other receivables, which explains how the consolidated entity manages and accounts for trade receivables.



**Note 7. Plant and equipment**

Reconciliations of the carrying values of each class of property, plant and equipment at the beginning and end of the current and previous financial years, for the consolidated entity, are as follows:

	<b>Furniture &amp; fittings</b>	<b>Office equipment</b>	<b>Consolidated Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Carrying value at 1 July 2017</b>	1,390	35,539	36,929
<b>Additions</b>	2,971	45,870	48,841
<b>Depreciation</b>	(1,591)	(26,747)	(28,338)
<b>Carrying value at 30 June 2018</b>	<u>2,770</u>	<u>54,662</u>	<u>57,432</u>
<b>Cost as at 30 June 2018</b>	4,682	99,467	104,149
<b>Accumulated depreciation at 30 June 2018</b>	(1,912)	(44,805)	(46,717)
<b>Carrying value at 30 June 2018 / 1 July 2018</b>	<u>2,770</u>	<u>54,662</u>	<u>57,432</u>
<b>Additions</b>	130,496	34,482	164,978
<b>Depreciation</b>	(12,747)	(32,780)	(45,527)
<b>Carrying value at 30 June 2019</b>	<u>120,519</u>	<u>56,364</u>	<u>176,883</u>
<b>Cost as at 30 June 2019</b>	135,178	133,949	269,127
<b>Accumulated depreciation at 30 June 2019</b>	(14,659)	(77,585)	(92,244)
<b>Carrying value at 30 June 2019</b>	<u>120,519</u>	<u>56,364</u>	<u>176,883</u>

**Note 8. Current liabilities - trade and other payables**

	<b>Consolidated 2019</b>	<b>Consolidated 2018</b>
	<b>\$</b>	<b>\$</b>
Trade payables	79,933	77,571
Other payables	<u>295,818</u>	<u>314,457</u>
	<u><u>375,751</u></u>	<u><u>392,028</u></u>

The table below summarises the maturity profile of the consolidated entities current trade and other payables.

	<b>Total</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 to 12 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
2019	<u>79,933</u>	-	<u>79,933</u>	-
2018	<u>77,571</u>	-	<u>77,571</u>	-

Refer Note 1 – Trade and other payables, which explains how the consolidated entity manages and accounts for trade and other payables.

**Note 9. Current liabilities – Revenue billed in advance**

	<b>Consolidated 2019</b>	<b>Consolidated 2018</b>
	<b>\$</b>	<b>\$</b>
Revenue billed in advance	<u>1,329,915</u>	<u>65,051</u>
Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	65,051	1,006,714
Amounts billed in advance during the year	3,006,552	153,336
Transfer to revenue – performance obligations satisfied	<u>(1,741,688)</u>	<u>(1,094,999)</u>
	<u><u>1,329,915</u></u>	<u><u>65,051</u></u>

**Note 10. Equity - issued capital**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>8,312,409</u>	<u>5,901,852</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>No. of shares Legal Parent 2019</b>	<b>No. of shares Legal Parent 2018</b>
<b>Legal parent</b>			
Balance start of year		102,936,733	78,099,386
Issue of shares on conversion of convertible notes	06 Feb 2018	-	1,000,000
Issue of loan funded shares to executives and staff	19 Feb 2018	-	3,250,000
Issue of shares on conversion of convertible notes	20 Mar 2018	-	1,000,000
Issue of share capital to shareholders	31 May 2018	-	19,587,347
Issue of share capital to shareholders pursuant to rights issue	07 Aug 2018	37,923,843	-
Issue of loan funded shares to executives and staff	24 Dec 2018	2,375,000	-
		<u>143,235,576</u>	<u>102,936,733</u>
<b>Consolidated entity</b>			
As at start of the financial year		5,901,852	4,403,765
Issue of shares on conversion of convertible notes	06 Feb 2018	-	120,000
Issue of shares on conversion of convertible notes	20 Mar 2018	-	120,000
Issue of share capital to shareholders	31 May 2018	-	1,371,101
Issue of share capital to shareholders pursuant to rights issue	07 Aug 2018	2,654,857	-
Costs of issuing shares		<u>(244,300)</u>	<u>(113,014)</u>
Balance as at end of the financial year		<u>8,312,409</u>	<u>5,901,852</u>

*Ordinary shares*

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

**Note 10. Equity - issued capital (continued)**

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

*Movements in options on issue*

Details	Date	No. of options Legal Parent 2019	No. of options Legal Parent 2018
<b>Legal parent</b>			
Balance start of year		7,658,334	7,758,334
Options issued on conversion of convertible notes	06 Feb 2018	-	120,000
Options issued on conversion of convertible notes	20 Mar 2018	-	120,000
Expiry of options issued on conversion of convertible notes	31 May 2018	-	(240,000)
Options issued under the employee share option plan	25 Oct 2016	-	-
Options issued to consultant for lead manager services	24 Dec 2018	2,000,000	-
Options expired / lapsed		(150,000)	(100,000)
Balance at end of year		<u>9,508,334</u>	<u>7,658,334</u>

5,758,334 options (all of which are vested at 30 June 2019) are exercisable at \$0.25 and expire on 1 July 2019.  
200,000 options (all of which are vested at 30 June 2019) are exercisable at \$0.29 and expire on 1 July 2019.  
300,000 options (all of which are vested at 30 June 2019) are exercisable at \$0.29 and expire on 1 July 2020.  
1,250,000 options (833,333 of which are vested at 30 June 2019) are exercisable at \$0.25 and expire on 1 October 2020.  
2,000,000 options (all of which vested on issue) are exercisable at \$0.12 and expire 24 December 2021.  
All options are unlisted and are subject to a range of vesting conditions.

*Capital risk management*

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

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or return capital to shareholders.

**Note 11. Financial instruments**

***Financial risk management objectives***

The consolidated entity's activities expose it to two financial risks: credit risk and liquidity risk. The consolidated entity's overall risk management program, which is managed at Board level, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk and cash flow forecasting for liquidity risk.

***Credit risk***

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

**Note 11. Financial instruments (continued)**

***Liquidity risk***

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. All amounts payable are within agreed terms. All third party payment terms are less than 60 days (2018: less than 60 days).

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

***Fair value of financial instruments***

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

**Note 12. Key management personnel disclosures**

***Compensation***

The aggregate compensation made to directors and key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	585,399	747,096
Share based payments	39,733	81,583
Post-employment benefits	67,596	77,892
	<u>692,728</u>	<u>906,571</u>

**Note 13. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by William Buck Audit (VIC) Pty Ltd ("William Buck"), the auditor of the company, its network firms and unrelated firms:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Assurance services – William Buck</i>		
Audit or review of the financial statements	31,600	32,969
	<u>31,600</u>	<u>32,969</u>

**Note 14. Contingent liabilities**

At reporting date there is a bank guarantee of \$113,712 in place, which relates to the rental of the Melbourne premises.

At reporting date there is a bank guarantee of SGD20,814 in place, which relates to a documentary letter of credit issued by the entity's banker as a performance guarantee for a customer contract.

The consolidated entity has no other contingent liabilities at reporting date.

**Note 15. Commitments**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	127,615	55,080
One to five years	363,605	-
More than five years	-	-
	<u>491,220</u>	<u>55,080</u>

Operating lease commitments includes contracted amounts for the head office premises under a non-cancellable operating lease, the term of which expires on 29 February 2023.

**Note 16. Related party transactions**

*Legal parent entity*

Knosys Limited is the legal parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 18.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 12 and the remuneration report in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

In the statement of profit and loss and other comprehensive income for the Consolidated Entity the following related party transactions took place:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Payment for services from MMG Interactive (a partnership associated with Richard Levy)	<u>-</u>	<u>2,000</u>

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 17. Legal parent entity information**

Set out below is the supplementary information about the legal parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Legal Parent</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	204,776	(6,464,286)
Total comprehensive income	204,776	(6,464,286)

*Statement of financial position*

	<b>Legal Parent</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Total current assets	3,131,717	1,410,329
Total assets	9,413,756	6,654,592
Total current liabilities	49,858	66,642
Total liabilities	49,858	66,642
Equity		
Issued capital	15,447,531	13,036,974
Share based payments reserve	695,229	534,615
Accumulated losses	(6,778,862)	(6,983,639)
Total equity	9,363,898	6,587,950

*Contingent liabilities*

The legal parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

*Capital commitments - Property, plant and equipment*

The legal parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

*Significant accounting policies*

The accounting policies of the legal parent entity are consistent with those of the consolidated entity, as disclosed in note 1. The group does not designate any interests in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial statements.

**Note 18. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Knosys Solutions Pty Ltd Principal activities – Main operating company of the Knosys group, providing operational infrastructure, employees, sales resources, Knosys Platform research, development and support.	Australia	100%	100%
Knosys Products Pty Ltd Principal activity – Holder of the Knosys Platform intellectual property.	Australia	100%	100%

**Note 19. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 20. Reconciliation of profit after income tax to net cash from operating activities**

	Consolidated	
	2019 \$	2018 \$
Loss after income tax expense for the year	(771,912)	(806,067)
Adjustments for:		
Depreciation and amortisation	45,527	28,338
Finance costs	-	155,597
Share based payments expense	96,614	195,940
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(1,020,993)	(323,408)
(Decrease)/increase in revenue billed in advance	1,264,864	(941,663)
(Increase) in accrued research and development tax refund receivable	(59,174)	(133,002)
Decrease/(Increase) in prepayments and other debtors	(27,207)	8,419
Increase in trade and other payables	6,244	169,330
Increase in provision for employee benefits	25,031	48,643
Net cash used in operating activities	<u>(441,006)</u>	<u>(1,597,873)</u>

## **Note 21. Share-based payments**

### **Loan funded share plan and loan funded shares**

A loan funded share plan (LFSP) has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, issue loan funded fully paid ordinary shares in the company to personnel of the consolidated entity. Participants acquire loan funded shares using a loan provided by the consolidated entity. The loan is interest-free and limited recourse in accordance with the loan terms and the LFSP rules. The LFSP rules require the loan to be repaid before a participant can receive any proceeds from the sale of their shares. The Board has the discretion to impose such vesting conditions in relation to the loan funded shares as it deems appropriate. These may include conditions relating to continued employment or service, performance (of the participant, the consolidated entity or the share price) and the occurrence of specific events. The consolidated entity has also issued loan funded fully paid ordinary shares in the company to executives on the same terms as the LFSP. The issuing of these loan funded shares gives rise to an ongoing employment benefit expense each financial period and this is accounted for in accordance with the accounting policy on employee benefits, as detailed in Note 1. The expense is included in the share based payment expense amount listed in Note 4.

As at 30 June 2019 the following loan funded shares had been granted:

Grant date	Issue date	Loan Expiry date	Issue price	Balance at 30 June 2018 Number	Issued during the period Number	Sold during the period Number	Forfeited during the period Number	Balance at 30 June 2019 Number	Vested at end of the period Number
28/11/2017	19/02/2018	27/11/2022	\$0.06	1,200,000	-	-	-	1,200,000	1,200,000
30/01/2018	19/02/2018	18/02/2023	\$0.10	2,050,000	-	-	-	2,050,000	2,050,000
26/11/2018	24/12/2018	26/11/2023	\$0.08	-	1,000,000	-	-	1,000,000	250,000
24/12/2018	24/12/2018	24/12/2023	\$0.08	-	1,375,000	-	-	1,375,000	250,000
	Total			3,250,000	2,375,000	-	-	5,625,000	3,750,000
	Weighted average issue price			\$0.085	\$0.080			\$0.083	\$0.084

For the loan funded shares issued during the 2019 financial year, the valuation model inputs used to determine the fair value at each vesting date, were as follows:

Grant date	Loan Expiry date	Share price at issue date	Issue price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date
26/11/2018	26/11/2023	\$0.08	\$0.08	0.00%	75%	0.00%	2.340%	\$0.015
24/12/2018	24/12/2023	\$0.07	\$0.08	0.00%	75%	0.00%	2.450%	\$0.016

As at 30 June 2018 the following loan funded shares had been granted:

Grant date	Issue date	Loan Expiry date	Issue price	Balance at 30 June 2017 Number	Issued during the period Number	Sold during the period Number	Forfeited during the period Number	Balance at 30 June 2018 Number	Vested at end of the period Number
28/11/2017	19/02/2018	27/11/2022	\$0.06	-	1,200,000	-	-	1,200,000	1,200,000
30/01/2018	19/02/2018	18/02/2023	\$0.10	-	2,050,000	-	-	2,050,000	1,025,000
	Total			-	3,250,000	-	-	3,250,000	2,225,000
	Weighted average issue price			-	\$0.085			\$0.085	\$0.078

For the loan funded shares issued during the 2018 financial year, the valuation model inputs used to determine the fair value at each vesting date, were as follows:

Grant date	Loan Expiry date	Share price at issue date	Issue price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date
28/11/2017	27/11/2022	\$0.052	\$0.06	0.00%	68.24%	0.00%	2.155%	\$0.023
30/01/2018	18/02/2023	\$0.115	\$0.10	0.00%	68.24%	0.00%	2.500%	\$0.059

The fair value at issue date is an average of graded tranches.



**Note 21. Share-based payments (continued)**

**Employee share option plan**

An employee share option plan (ESOP) has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with time based and/or performance targets established by the Board. The granting of these options gives rise to an ongoing employment benefit expense each financial period and this is accounted for in accordance with the accounting policy on employee benefits, as detailed in Note 1. The expense is included in the share based payment expense amount listed in Note 4.

As at 30 June 2019 the following options had been granted under the ESOP:

Option Issue date	Option Expiry date	Exercise price	Balance at 30 June 2018 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2018 Number	Vested and exercisable at end of the period Number
25/10/2016	01/10/2020	\$0.25	1,400,000	-	-	150,000	1,250,000	833,333
Total			1,400,000	-	-	150,000	1,250,000	833,333
Weighted average exercise price			\$0.25				\$0.25	\$0.25

As at 30 June 2018 the following options had been granted under the ESOP:

Option Issue date	Option Expiry date	Exercise price	Balance at 30 June 2017 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2018 Number	Vested and exercisable at end of the period Number
25/10/2016	01/10/2020	\$0.25	1,400,000	-	-	-	1,400,000	466,667
Total			1,400,000	-	-	-	1,400,000	466,667
Weighted average exercise price			\$0.25				\$0.25	\$0.25

**Options issued to Directors and senior management**

As at 30 June 2019 the following unvested options over ordinary shares in Knosys Limited had been issued to Directors and senior management (Options). These Options were issued separately to the ESOP.

Set out below are summaries of Options issued to Directors and senior management:

**2019**

Issue date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised Expired/ forfeited	Balance at the end of the year	Number vested
09/05/2015	01/07/2019	\$0.25	2,000,000	-	-	2,000,000	2,000,000
29/06/2015	01/07/2019	\$0.25	425,000	-	-	425,000	425,000
			2,425,000	-	-	2,425,000	2,425,000
Weighted average exercise price			\$0.25	-	-	\$0.25	\$0.25

**Note 21. Share-based payments (continued)**

**Vesting and Entitlement**

For the options issued on 9 May 2015, the Options vested over time, in equal amounts (except for slight adjustments to avoid fractions) every three months, commencing 1 July 2015 with the final vesting date being 1 April 2018. For the Options issued on 29 June 2015, 20,000 Options vested on the first two vesting dates, and 38,500 Options vested on subsequent vesting dates. If the relevant holder is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder. The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year.

**2018**

Issue date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised Expired/ forfeited	Balance at the end of the year	Number vested
09/05/2015	01/07/2019	\$0.25	2,000,000	-	-	2,000,000	2,000,000
29/06/2015	01/07/2019	\$0.25	425,000	-	-	425,000	425,000
			<u>2,425,000</u>	<u>-</u>	<u>-</u>	<u>2,425,000</u>	<u>2,425,000</u>
Weighted average exercise price			\$0.25	-	-	\$0.25	\$0.25

**Note 22. Segment information**

During the year the consolidated entity operated as a developer and licensor of computer software in the APAC region.

The concentration of customers for the 2019 year was as follows:

- A major customer in Australia in the finance sector represented 41.4% of operating revenue
- A major customer in Australia in the Telecommunications sector represented 35.9% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 16.7% of operating revenue

The concentration of customers for the 2018 year was as follows:

- A major customer in Australia in the finance sector represented 40.3% of operating revenue
- A major customer in Australia in the Telecommunications sector represented 32.6% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 18.9% of operating revenue

**Note 23. Loss per share**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners the parent	<u>(771,912)</u>	<u>(806,067)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>138,135,628</u>	<u>81,549,716</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.56)	(0.99)

The 9,508,334 (2018: 7,658,334) options issued could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

**Knosys Limited**  
**Directors' declaration**  
**30 June 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Alan Stockdale', is enclosed within a thin black rectangular border.

---

Hon. Alan Stockdale AO  
Director

28 August 2019  
Melbourne

## Knosys Limited

### Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Knosys Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

We confirm that we have complied with the independence requirements of the *Corporations Act 2001*.

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

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

[williambuck.com](http://williambuck.com)

## Key Audit Matters

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

RECOGNITION OF REVENUE UNDER SERVICE CONTRACTS	
Area of focus Refer also to notes 1, 3, 9 and 22	How our audit addressed it
<p>The Group has service contracts with several major customers. These service contracts have invoicing and payment milestones included within their terms, which may or may not be directly aligned with the performance of services under the contract.</p> <p>In order to accrue revenue appropriately in the correct accounting period, management have developed a model to recognise revenue when the performance obligation is satisfied in each contract.</p> <p>There is requirement for judgment in determining which period to which the revenue should be attributed. In designing the model management has considered:</p> <ul style="list-style-type: none"> <li>— The impact of the implementation of AASB 15 – Revenue from contracts with customers;</li> <li>— When the performance obligation is identified and satisfied in respect to each component of each contract; and</li> <li>— The potential for any post-contract servicing work to be performed at the conclusion of the contract and whether an additional performance obligation exists.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Examining management’s revenue recognition model to insure compliance with AASB 15;</li> <li>— Testing of customer invoicing under the contract; and</li> <li>— Tracing through to new service contracts to understand material terms and conditions, including any particular seller warranties or indemnities given and their potential impact upon the revenue recognition model.</li> </ul> <p>We have also assessed the adequacy of disclosures in the notes to the financial statements.</p>

SHARE BASED PAYMENTS	
Area of focus Refer also to notes 1 and 21 and the Remuneration Report	How our audit addressed it
<p>The Group has equity incentive plans for its key management personnel, including share options and employee share loans. Both plans include service-based vesting periods.</p> <p>Each of the arrangements which form part of the plan required significant judgments and estimations by management, including the following:</p> <ul style="list-style-type: none"> <li>— Determination of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date;</li> <li>— The evaluation of the vesting charge taken to the profit and loss in-respect of the accrual of service conditions attached to those share-based payment arrangements; and</li> <li>— The evaluation of key inputs into the Black-Scholes option pricing model or binomial model, including the significant judgment of the forecast volatility of the share option over its exercise period.</li> </ul> <p>The results of these share-based payment arrangements materially affect the disclosures of these financial statements, including the vesting charge that affects disclosures of key management personnel remuneration.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Determining the grant dates and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements;</li> <li>— Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements;</li> <li>— Evaluating the progress of the vesting of share-based payments within the service period; and</li> <li>— For the specific application of the Black-Scholes option pricing model and the binomial model, we assessed the experience of the expert used to advise the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values.</li> </ul> <p>We have also assessed the adequacy of disclosures in the notes to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our independent auditor's report.

## **Report on the Remuneration Report**

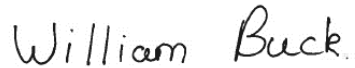
### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

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

## Responsibilities

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

A handwritten signature in black ink that reads "William Buck".

**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136

A handwritten signature in black ink that reads "A. A. Finnis".

**A. A. Finnis**

Director

Melbourne, 28 August 2019



**Knosys Limited**  
**Additional information for listed companies**

**1. Shareholdings as at 26 August 2019**

**a. Distribution of Shareholders**

Category (size of holding)	Number Holders	Number Ordinary Shares
1 – 1,000	20	5,289
1,001 – 5,000	35	131,498
5,001 – 10,000	75	669,798
10,001 – 100,000	304	12,746,254
Above 100,001	168	129,682,737
	<b>602</b>	<b>143,235,576</b>

**b.** The number of shareholdings held in less than marketable parcels is 62, with a total of 177,461 ordinary shares, amounting to 0.12% of issued capital.

**c.** The names of the substantial shareholders listed in the holding Consolidated Group's register as at 26 August 2019 are:

Shareholder	Number Ordinary shares	%
1 Earthrise Holdings Pty Ltd <Campion Investment A/C>	19,135,000	13.36
2 Vabake Pty Ltd <Levy Family A/C> and Vabake Pty Ltd	10,437,260	7.29

**d. Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**20 Largest Shareholders — Ordinary Shares**

e.	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Earthrise Holdings Pty Ltd <Campion Investment A/C>	19,135,000	13.36
2	Vabake Pty Ltd <Levy Family A/C>	10,066,130	7.03
3	Mrs Tracey Lee Cunningham <The Avebury Family A/C>	7,000,270	4.89
4	Moat Investments Pty Ltd <Moat Investment A/C>	6,414,286	4.48
5	National Nominees Limited	6,140,000	4.29
6	Panchito Services Pty Ltd <Reyes Family A/C>	5,185,000	3.62
7	Mast Financial Pty Ltd <A to Z Investment A/C>	4,418,000	3.08
8	Jet Invest Pty Ltd <R & L Investment A/C>	3,376,834	2.36
9	Gale Enterprises (Aust) Pty Ltd <Cavalier Family A/C>	2,250,000	1.57
10	TDF Properties Pty Ltd <TDF Property A/C>	2,142,850	1.50
11	Mrs Denise Jane Campbell	2,064,409	1.44
12	Vonetta Pty Ltd <TRBC S/F A/C>	1,759,116	1.23
13	Mrs Emma Jane Gracey	1,651,295	1.15
14	ADC (Investing) Pty Ltd <AL Cook Asset A/C>	1,618,473	1.13
15	Parry Segregated Portfolio Company <Parry Special Sit SF A/C>	1,500,000	1.05
16	BNP Paribas Nominees Pty Ltd <IB AU Noms retail client DRP>	1,440,151	1.01
17	Helen Thompson	1,342,857	0.94
18	Shandora One Pty Ltd <Benger Super Fund A/C>	1,300,000	0.91
19	Huntingdale Management Pty Ltd <Huntingdale A/C>	1,250,000	0.87
20	Alocasia Pty Limited <Camellia Super Fund A/C>	1,187,799	0.83
		<b>81,242,470</b>	<b>56.72</b>

2. The name of the Company Secretary is Mr Stephen Kerr.

**3. The address of the principal registered office in Australia is:**

Part Level 8, 31 Queen Street  
MELBOURNE VIC 3000  
Telephone 03 9046 9700

**4. Registers of securities are held at the following addresses:**

Automic Registry Services  
Suite 310, Level 3, 50 Holt Street  
SURRY HILLS NSW 2010

**5. Securities Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6. In accordance with ASX Listing Rule 4.10.19, the Consolidated Group advises that, since listing on 9 September 2015, it has used its cash in a way consistent with its business objectives.