

Knosys Limited

ABN 96 604 777 862

Appendix 4E

Preliminary Final Report

30 June 2021

Reporting period

Report for the year ended 30 June 2021.

Previous corresponding period is the year ended 30 June 2020.

Results for announcement to the market

		Increase/(decrease) over previous corresponding period	
	\$	\$	%
Revenue from ordinary activities	4,594,082	1,456,765	46%
Loss from ordinary activities after tax attributable to members	(543,838)*	364,553**	40%
Net Loss for the period attributable to members	(545,381)*	362,938**	40%

* Includes \$559,363 of transaction costs related to acquisition of businesses.

** Improved result. Reduction in net loss from prior year.

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 audited financial statements for the full year, including information required under Appendix 4E, are attached with this Appendix 4E.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	2.46 cents	1.74 cents

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

On 30 March 2021 the parent entity gained control of Greenorbit Pty Ltd and its subsidiaries. Refer Note 22. in the attached Financial Statements.

Signed:



Stephen Kerr
CFO & Company Secretary

25 August 2021
Melbourne

Knosys Limited

ABN 96 604 777 862

Financial Statements Consolidated

30 June 2021

Knosys Limited
Directors' report
30 June 2021

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 2021.

Directors

The following persons were directors of Knosys Limited during the period from 1 July 2020 to the date of this report, unless otherwise stated:

Hon. Alan Stockdale - Non-executive Chairman
Mr John Thompson - Managing Director
Peter Pawlowitsch - Non-executive Director
Kathrin Mutinelli - Non-executive Director (Appointed 1 September 2020)
Neil Wilson - Non-executive Director (Appointed 1 December 2020)

Review of operations

The 2021 financial year has been one of stepped change, with the acquisition of Greenorbit Pty Ltd ("GreenOrbit" or "GO") on 30 March 2021, and continued revenue growth in Knosys business revenues.

- Total operating revenue for the consolidated entity increased by 46% to \$4,594,082 (2020 revenue: \$3,137,317);
 - 22% of this growth was generated organically from the existing KIQ knowledge management business
 - 24% of this growth was due to the 3 month contribution from the GO business from acquisition date
- Profit before transaction costs and income tax was \$15,525 (2020 loss: \$908,391)
- The consolidated entity incurred transaction costs related to the acquisition of businesses of \$559,363 (2020: Nil)
- The loss for the consolidated entity after providing for income tax was \$543,838 (2020 loss: \$908,391);
- Net cash inflow from operating activities was \$580,114 (2020 outflow: \$477,607); and
- The consolidated entity had net assets of \$10,017,838 at 30 June 2021 (2020: \$2,591,180)
- The consolidated entity held cash and cash equivalents of \$6,532,415 (2020: \$2,335,909). Subsequent to year-end, total cash balances were \$7.8 million at 31 July 2021, after the collection of certain annual licence fees and other June 2021 receivables.

The consolidated entity is the owner of KnowledgeIQ ("KIQ") knowledge management solution and GreenOrbit intranet solution. It is a global information technology company offering a range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace. The consolidated entity's business model is software-as-a-service ("SaaS"), with a recurring subscription fee payable by clients on a per User basis, complemented by implementation fees and customer support services.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and, while the impact has not been financially negative for the consolidated entity for the year to June 2021, it is not practicable to estimate the impact of the pandemic, positive or negative, for this period or after the reporting date. The situation continues to develop and is dependent on a variety of measures imposed by the Australian Government and other countries, including the rollout of vaccines. The consolidated entity has noted that some prospective new customers have been deferring decisions to contract Knosys products because of concerns about the pandemic and its economic and business effects. This trend is still evident to some extent. Against this background, Knosys' Board and management consider that the results for the year and the success in the company's M&A plans are encouraging in respect of the business outlook when, eventually, the pandemic is under control around the world.

Principal activities

During the financial period the principal continuing activities of the consolidated entity were computer software development and licencing.

Dividends

No dividends were paid or declared during the financial year.

Significant changes in the state of affairs

In December 2020 Knosys raised \$3.0m in additional capital (before costs) through a placement of fully paid ordinary shares at an issue price of \$0.14, which was at a premium to the prior days closing price.

During the year Knosys acquired all the issued shares in GreenOrbit Pty Ltd ("**GO**"), a leading SaaS Intelligent Intranet software provider. At the General Meeting of Shareholders held on 27 January 2021, Shareholders approved the issue of 36,978,000 shares to the vendor of GreenOrbit, as consideration for the acquisition. The acquisition completed on 30 March 2021 and the GO business has contributed to the consolidated revenues and net result of the group for the three months to 30 June 2021.

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than those matters mentioned above.

Matters subsequent to the end of the financial year

The Coronavirus (COVID-19) pandemic is ongoing and, while the impact has not been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to be challenging and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing, lockdowns, quarantine measures, travel restrictions and any economic stimulus that may be provided.

On 1 July 2021, the Company announced to ASX that the consolidated entity had executed a conditional asset and share-sale agreement to acquire the LIBERO business from Libero Software Pty Ltd and Insight Informatics Pty Ltd for a \$5m purchase price, comprising \$4m Cash and \$1m in Knosys shares. Acquisition completion, subject to the satisfaction of certain agreed conditions, is expected to be no later than 31 August 2021.

No other matter or circumstance has arisen since 30 June 2021 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 its range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace. The Company is again well placed to expand its customer base and add to its offerings through internal developments and further acquisition of technologies.

The Company will receive the benefit of a full year contribution to revenues and net results from the GO business in the year to 30 June 2022. The Company also expects, conditional on transaction completion, to receive the benefit of a part year contribution to revenue and net results from the Libero business.

The consolidated entity has a significant sales pipeline in its global markets. The Company will continue to invest in sales and marketing capability in the year to June 2022 in order to enable the Company to pursue the multiple enterprise and mid-market opportunities in its sales pipeline, with the aim of converting them into subscription based contracts.

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. As Treasurer, 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.</p> <p>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. 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 is Chairman of X2M Connect Limited and 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 was previously a consultant to Metro Trains, a consultant to Maddocks Lawyers, a member of the Advisory Board of Lazard Australia and Chairman of the Medical Research Commercialisation Fund. He was Federal President of the Liberal Party from 2008 to 2014. 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. Alan is based in Victoria and has been a director of Knosys since 30 April 2015.</p>
Directorships held in other listed entities in the last 3 years	Nil.
Interests in shares	1,000,000 ordinary shares
Interests in options	Nil Options
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. Peter is an executive director of Dubber Corporation Limited (appointed a director on 26 September 2011), non-executive director of Family Zone Cyber Safety Ltd (appointed 24 September 2019), 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.</p> <p>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>Peter is based in Perth and 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>Family Zone Cyber Safety Ltd (ASX:FZO)</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	2,181,578 ordinary shares
Interests in options	Nil Options

Information on directors (cont.)

Name:	Kathrin Mutinelli
Title:	Non-Executive Director
Experience and expertise:	<p>Kathrin Mutinelli is, is an MBA qualified director with over 15 years of strategic, performance-driven management consulting experience. Kathrin is a strategist whose career has focussed on organisational growth, specifically in Australia and across the APAC in multinational and culturally diverse environments. Advising leaders of global organisations on strategy such as Lockheed Martin, Sikorsky, Gulfstream and Australian companies on capital requirements to fund growth such as WorkPac, The Blue Space, AirBolt and Alii. Kathrin is currently Managing Director at SeventyTwo Capital and is developing a team of specialists to support Australia's most ambitious tech entrepreneurs and business owners to realise their growth ambitions by creating actionable strategies and connecting them to strategically aligned investors.</p> <p>Kathrin was formerly a Director at Deloitte and holds an MBA from RMIT and has extensive experience in developing and implementing business strategies and driving corporate value creation as a senior executive and a consultant. Kathrin is based in Brisbane has been a director since 1 September 2020.</p>

Directorships held in other listed entities in the last 3 years Nil

Interests in shares	700,000 ordinary shares
Interests in options	Nil Options

Name:	Neil Wilson
Title:	Non-Executive Director
Experience and expertise:	<p>Neil Wilson is an experienced business leader and entrepreneur with corporate, start-up, founder and public company experience, having held the position of Managing Director and Chief Executive Officer of Oakton Limited (ASX:OKN), until its acquisition by Dimension Data in 2014. He is a practitioner in the digital and technology domain and has extensive experience in general management and CEO management across private and public company scenarios.</p> <p>Neil was CEO of the Victoria Racing Club (VRC) for three years and was appointed the VRC Chairman in November 2020. He is currently Chairman of Nexon and CharterX and is a Member of the Advisory boards for Clipboard, nimbus, Alex Solutions and InfoCentric. He is also a board member of the Collingwood Football Club. Neil holds a Bachelor of Business, is a CPA and a Member of the Australian Computer Society. Neil is based in Melbourne and has been a director since 1 December 2020.</p>

Directorships held in other listed entities in the last 3 years Nil

Interests in shares	750,000 ordinary shares
Interests in options	Nil Options

Information on directors (cont.)

Name: John Thompson
 Title: Managing Director

Experience and expertise: 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. John is based in Melbourne and has been a director since 26 September 2018.

Directorships held in other listed entities in the last 3 years Nil

Interests in shares 3,667,857 ordinary shares
 Interests in options Nil Options

Company Secretary and Chief Financial Officer

Stephen Kerr (BCom, CA, CS, 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 2020 to the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Hon. Alan Stockdale	12	12
Peter Pawlowitsch	12	12
John Thompson	12	12
Kathrin Mutinelli	10	10
Neil Wilson	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 2021. 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.

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.

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Profit / (loss) before transaction costs and income tax expense	15,525	(908,391)	(771,912)	(806,067)	(2,085,018)
Profit / (loss) attributable to owners of the parent entity	(543,838)	(908,391)	(771,912)	(806,067)	(2,085,018)
Dividends paid	-	-	-	-	-
Operating revenue growth	46.4%	7.8%	10.8%	224.7%	9.9%
Change in operating result	40.1%	(17.7%)	4.2%	61.3%	(47.8%)
Change in share price	75%	(16%)	25%	(57%)	(40%)
Return on capital employed	(8.6%)	(30%)	(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 result is operating profit or loss 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.

The key management personnel of the consolidated entity during the year to 30 June 2021 consisted of the following directors of Knosys Limited:

- Alan Stockdale - Non-Executive Chairman
- Peter Pawlowitsch - Non-Executive Director
- John Thompson – Managing Director
- Kathrin Mutinelli – Non-Executive Director
- Neil Wilson – Non-Executive Director

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
	\$	\$	\$	\$	\$	\$	\$
2021							
<i>Non-Executive Directors:</i>							
Alan Stockdale	74,304	-	-	4,446	-	-	78,750
Peter Pawlowitsch	47,945	-	-	4,555	-	-	52,500
Kathrin Mutinelli	41,857	-	-	3,976	-	35,000	80,833
Neil Wilson	32,083	-	-	-	-	35,000	67,083
<i>Executive Director:</i>							
John Thompson	298,801	57,500	15,112	24,000	6,773	-	402,186
Other Key Management Personnel:							
Stephen Kerr	189,242	37,000	30,275	20,608	12,915	-	290,040
	<u>684,232</u>	<u>94,500</u>	<u>45,387</u>	<u>57,585</u>	<u>19,688</u>	<u>70,000</u>	<u>971,392</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
	\$	\$	\$	\$	\$	\$	\$
2020							
<i>Non-Executive Directors:</i>							
Alan Stockdale	54,795	-	-	5,205	-	14,789	74,789
Peter Pawlowitsch	36,530	-	-	3,470	-	14,789	54,789
<i>Executive Director:</i>							
John Thompson	305,595	30,000	9,428	24,000	6,539	36,974	412,536
<i>Other Key Management Personnel:</i>							
Stephen Kerr	182,410	18,000	24,483	20,773	7,171	14,789	267,625
	<u>579,329</u>	<u>48,000</u>	<u>33,911</u>	<u>53,448</u>	<u>13,710</u>	<u>81,341</u>	<u>809,739</u>

Knosys Limited
Directors' report
30 June 2021

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

2021	Fixed remuneration	At risk - STI	At risk - LTI
<i>Non-Executive Directors:</i>			
Alan Stockdale (Chairman)	100%	-%	0%
Peter Pawlowitsch	100%	-%	0%
Kathrin Mutinelli	57%	-%	43%
Neil Wilson	48%	-%	52%
<i>Managing Director:</i>			
John Thompson	86%	14% (22% available)	0%
<i>Other Key Management Personnel:</i>			
Stephen Kerr	87%	13% (21% available)	0%
2020			
<i>Non-Executive Directors:</i>			
Alan Stockdale (Chairman)	80%	-%	20%
Peter Pawlowitsch	73%	-%	27%
<i>Managing Director:</i>			
John Thompson	84%	7% (21% available)	9%
<i>Other Key Management Personnel:</i>			
Stephen Kerr	88%	7% (24% available)	5%

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 2021 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 \$57,500 relating to performance in the 2021 year was assessed as a bonus entitlement for the 2021 financial year.

Knosys Limited
Directors' report
30 June 2021

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 2021 of \$251,120 including superannuation, employment is for four 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. For the first five month period of the year ended 30 June 2021, Mr Kerr's employment was three days per week and his base salary was accordingly lower than the above on a pro-rata basis during that period. Remuneration is 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 \$37,000 relating to performance in the 2021 year was assessed as a bonus entitlement in the 2021 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
January 2021	1,000,000	February 2026	17.5 cents	7.0 cents

1,000,000 loan shares were granted to directors Kathrin Mutinelli and Neil Wilson in January 2021 and were fully vested at 30 June 2021.

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 25 in the notes to the financial statements, for further details and general terms of the loan funded shares.

Options

There were no options granted to directors and other key management personnel in this financial year .

Shares issued on the exercise of options

No ordinary shares of Knosys Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted.

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	Forfeited	Balance at the end of the year
<i>Ordinary shares</i>					
Alan Stockdale	1,250,000	-	-	(250,000) ¹	1,000,000
Peter Pawlowitsch	2,231,578	-	200,000	(250,000) ¹	2,181,578
Kathrin Mutinelli	-	500,000 ¹	200,000	-	700,000
Neil Wilson	-	500,000 ¹	250,000	-	750,000
John Thompson	4,092,857	-	200,000	(625,000) ¹	3,667,857
Stephen Kerr	2,246,759	-	107,143	(250,000) ¹	2,103,902
	<u>9,821,194</u>	<u>1,000,000</u>	<u>957,143</u>	<u>(1,375,000)</u>	<u>10,403,337</u>

1. Shares issued or forfeited 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	Expired	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>					
Stephen Kerr	500,000	(500,000)	-	-	-
	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no other transactions with key management personnel and their related parties

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
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.

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

The Board is responsible for the maintenance of audit independence. Specifically, the Board Charter ensures the independence of the auditor is maintained by:

- limiting the scope and nature of non-audit services that may be provided; and
- requiring that permitted non-audit services must be pre-approved by the Chairman of the Board.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with the advice provided by the Board, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, William Buck, for audit and non-audit services provided during the year are set out in note 18.

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



Hon. Alan Stockdale AO
Director

25 August 2021
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 2021 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
Melbourne, 25 August 2021

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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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 25 August 2021, 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 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue	3	4,594,082	3,137,317
Research and development tax refund		619,094	649,313
Other income		72,564	120,621
Expenses			
Licence fee and support expense		(615,753)	(438,948)
Payments to suppliers for research and development activities		(60,959)	(154,024)
Employee benefits expense	4	(3,505,224)	(2,990,229)
Depreciation and amortisation expense		(188,363)	(189,905)
Legal and accounting expense		(110,638)	(119,672)
Travel and accommodation expense		(26,676)	(172,517)
Finance costs		(15,398)	(19,119)
Administration and corporate expense		(747,204)	(731,228)
Profit / (Loss) before acquisition costs and income tax		15,525	(908,391)
Transaction costs related to acquisition of businesses	4	(559,363)	-
Loss before income tax		(543,838)	(908,391)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to owners of the Knosys Limited		(543,838)	(908,391)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,543)	-
Total comprehensive loss for the year attributable to owners of Knosys Limited		<u>(545,381)</u>	<u>(908,391)</u>
Loss per share for loss attributable to the owners of the parent		Cents	Cents
Basic and diluted loss per share	27	(0.32)	(0.62)

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 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		6,532,415	2,335,909
Trade receivables	6	1,934,803	1,711,032
Accrued research and development tax refund receivable		500,000	495,958
Prepayments & sundry receivables	7	221,200	77,452
Total current assets		<u>9,188,418</u>	<u>4,620,351</u>
Non-current assets			
Intangible assets and goodwill	8	4,926,215	-
Buildings – Right-of-use asset	9	184,986	295,986
Plant and equipment	10	96,072	127,040
Total non-current assets		<u>5,207,273</u>	<u>423,026</u>
Total assets		<u>14,395,691</u>	<u>5,043,377</u>
Liabilities			
Current liabilities			
Trade and other payables	11	670,254	364,809
Provisions	12	500,608	223,479
Lease liability	13	134,853	132,401
Contract liabilities	14	2,893,063	1,490,640
Total current liabilities		<u>4,198,778</u>	<u>2,211,329</u>
Non-current liabilities			
Provisions	12	93,093	35,023
Lease liability	13	85,982	205,845
Total non-current liabilities		<u>179,075</u>	<u>240,868</u>
Total liabilities		<u>4,377,853</u>	<u>2,452,197</u>
Net assets		<u>10,017,838</u>	<u>2,591,180</u>
Equity			
Issued capital	15	16,149,271	8,312,409
Share based payments reserve	25	394,634	556,216
Foreign currency translation reserve		(1,543)	-
Accumulated losses		<u>(6,524,524)</u>	<u>(6,277,445)</u>
Total equity		<u>10,017,838</u>	<u>2,591,180</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 2021

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	8,312,409	695,229	(5,593,830)	3,413,808
Loss after income tax expense for the year	-	-	(908,391)	(908,391)
Total comprehensive loss for the year	-	-	(908,391)	(908,391)
<i>Transactions with owners in their capacity as owners:</i>				
Equity based payments (Note 25)	-	85,763	-	85,763
Transfer from share-based payments reserve to accumulated losses on expiry of share-based remuneration instruments	-	(224,776)	224,776	-
Balance at 30 June 2020	<u>8,312,409</u>	<u>556,216</u>	<u>(6,277,445)</u>	<u>2,591,180</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	8,312,409	556,216	(6,277,445)	2,591,180
Loss after income tax expense for the year	-	-	(543,838)	(543,838)
Foreign currency translation	-	(1,543)	-	(1,543)
Total comprehensive loss for the year	-	(1,543)	(543,838)	(545,381)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (Note 15)	7,836,862	-	-	7,836,862
Equity based payments (Note 25)	-	135,177	-	135,177
Transfer from share-based payments reserve to accumulated losses on expiry of share-based remuneration instruments	-	(296,759)	296,759	-
Balance at 30 June 2021	<u>16,149,271</u>	<u>393,091</u>	<u>(6,524,524)</u>	<u>10,017,838</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 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		4,908,218	3,580,406
Payments to suppliers and employees		(4,997,663)	(4,733,645)
Research and development tax refund		615,052	573,355
Interest received		19,905	35,349
Interest paid		(15,398)	(19,119)
Grant revenue		50,000	86,047
Net cash from operating activities	24	<u>580,114</u>	<u>(477,607)</u>
Cash flows from investing activities			
Cash received on acquisition of business		1,482,025	-
Payment of transaction costs related to acquisition of businesses		(559,363)	-
Payments for plant and equipment		<u>(32,148)</u>	<u>(29,069)</u>
Net cash from investing activities		<u>890,514</u>	<u>(29,069)</u>
Cash flows from financing activities			
Repayment of lease liability		(118,954)	(68,733)
Proceeds from issue of shares		3,000,000	-
Share issue transaction costs		<u>(155,168)</u>	<u>-</u>
Net cash from financing activities		<u>2,725,878</u>	<u>(68,733)</u>
Net increase (decrease) in cash and cash equivalents		4,196,506	(575,409)
Cash and cash equivalents at the beginning of the financial year		<u>2,335,909</u>	<u>2,911,318</u>
Cash and cash equivalents at the end of the financial year		<u><u>6,532,415</u></u>	<u><u>2,335,909</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 or amended 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.

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

From 1 July 2020 the following new accounting standards have been adopted by the consolidated entity:

The revised Conceptual Framework for Financial Reporting

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The consolidated entity has assessed that these new or amended Accounting Standards and Interpretations will not have any material effect on the financial statements of the company for this reporting period.

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 21.

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 presentation currency. The consolidated entity operates in functional currencies relative to the specific geographical location of the entity within the consolidated entity.

Note 1. Significant accounting policies (continued)

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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of

- (i) 12 months from the date of the acquisition or
- (ii) when the acquirer receives all the information possible to determine fair value.

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 26 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. 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 Group has adopted the simplified approach to recognizing an ECL for trade and other receivables. Based on the nature of the Groups' business there have been no credit losses recorded in the previous financial periods and thus no ECL has been recorded.

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable; any lease payment made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. When the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with a term of 12 months or leases of low-value assets. Lease payments on these assets are expenses to profit or loss as incurred.

Note 1. Significant accounting policies (continued)

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.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are expensed as they have not satisfied the requirement for capitalisation under *AASB 138 – Intangible assets*.

Impairment of non-financial assets

At each reporting date, the consolidated entity's Directors review the carrying values of the consolidated entity's tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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)

Lease Liabilities

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

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

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.

Loss per share

Basic loss 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 Loss 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 that have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2021 are listed below. The consolidated entity has assessed that these new or amended Accounting Standards and Interpretations will not have a material effect on the financial statements of the company for the reporting period commencing 1 July 2021.

Note 1. Significant accounting policies (continued)

Standard	Mandatory date for annual reporting periods beginning on or after	Standard to be adopted by the company for the reporting period beginning
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of liabilities as Current or Non-Current	1 January 2023	1 July 2023

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 2020 the consolidated entity had accrued \$495,958 in accrued research and development tax refund credits in-respect of the 2020 tax return. The directors of the consolidated entity engaged an industry expert to prepare and lodge this return. This amount plus an additional \$119,094 was receipted into the bank in April 2021 in regard to the 2020 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 \$500,000 for the 2021 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.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Note 3. Revenue

	Consolidated	
	2021	2020
	\$	\$
<i>Sales revenue</i>		
Licence and support fees	3,771,143	2,945,267
Rendering of services	822,939	192,050
Revenue	<u>4,594,082</u>	<u>3,137,317</u>

All of the consolidated entities revenue is recognised over time

Note 4. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Transaction costs related to acquisition of businesses</i>	<u>559,363</u>	<u>-</u>
Transaction costs incurred relate to the acquisition of Greenorbit Pty Ltd, which completed on 30 March 2021, and also to the conditional asset and share-sale agreement to acquire the LIBERO business which was signed on 30 June 2021 and is expected to complete by 31 August 2021.		
<i>Employee benefits expense</i>		
Superannuation expense - Accumulation fund	<u>238,921</u>	<u>227,308</u>
Share based payments expense	<u>135,177</u>	<u>85,763</u>

Note 5. Income tax expense

	Consolidated	
	2021	2020
	\$	\$
<i>Income tax expense</i>		
Current Tax benefit	9,442	(73,674)
Deferred tax - origination and reversal of temporary differences	(23,316)	(25,049)
Deferred tax assets not recognised	13,874	98,723
	<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	527,010	921,461
	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(543,838)	(908,391)
	<u>-</u>	<u>-</u>
Tax at the statutory tax rate of 26% (30 June 2020 27.5%)	(141,398)	(249,807)
	<u>-</u>	<u>-</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	3,133	2,975
Research and development costs	288,889	303,085
Share based payments expense	35,146	23,585
Sundry items	(38,679)	-
Non-assessable R&D refund	(160,965)	(178,561)
	<u>(13,874)</u>	<u>(98,723)</u>
Deferred tax assets not recognised	13,874	98,723
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
Trade receivables	1,934,803	1,711,032

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
	\$	\$	\$	\$	\$	\$
2021	1,934,803	1,839,491	-	69,462	25,850	-
2020	1,711,032	133,390	1,425,644	139,898	-	12,100

As at 30 June 2021 no trade receivables were impaired (2020: Nil)

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

Note 7. Prepayments and sundry receivables

	Consolidated	
	2021	2020
	\$	\$
Prepayments	207,749	77,452
Other receivables	13,451	-
	<u>221,200</u>	<u>77,452</u>

Note 8. Intangibles

	Consolidated	
	2021	2020
	\$	\$
Goodwill – Refer Note 28	4,926,215	-
Accumulated impairment	-	-
	<u>4,926,215</u>	<u>-</u>

Impairment of intangibles

All intangible assets are assessed at each reporting period for indicators of impairment. The consolidated entity operates as a single operating segment and cash generating unit being a developer and licensor of computer software. Intangible assets with an indefinite useful life are assessed for impairment under this cash generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections for the next five years. The cash flows are discounted using estimated discount rate based on Capital Asset Pricing Model adjusted to incorporate risks associated with the software development sector.

Management has based the value-in-use calculations on five-year budget forecasts of the software developer and licencing business. Revenue has been projected on the below mentioned assumptions. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are post-tax and reflect risks associated with the software development business.

The following assumptions were used in the value-in-use-calculations:

- a. Revenue growth for years 1 is based on the Board approved budget of the consolidated entity, which includes the impact of a full 12 months of revenue generation from the GreenOrbit business. A revenue growth rate of 10% has been estimated for years 2 to 5 of the model. This is a conservative estimate in the future growth of the business.
- b. Projected cash flows have been discounted using a post-tax discount rate of 15% (2020: N/A).
- c. An annual growth rate of 2.5% (2020: N/A) has been estimated in the calculation of terminal value.

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to exceed its carrying amount as at 30 June 2021 and accordingly, no impairment loss has been recognised.

Sensitivity to changes in assumptions

The impairment model is most sensitive to the following assumptions:

- Revenue forecasts assumption;
- Employment costs; and
- Discount rate.

No reasonable possible change in assumptions would result in an impairment charge being recognised.

Note 9. Right of use asset

	Consolidated	
	2021	2020
	\$	\$
Buildings – right-of-use	406,980	406,980
Accumulated depreciation	(221,994)	(110,994)
	<u>184,986</u>	<u>295,986</u>

The consolidated entity leases its Melbourne based head office under an agreement of four years duration. The lease has an annual 3.75% escalation clause. The consolidated entity leased two serviced offices under specific agreements. These agreements had short-term month to month lease arrangements and are of low-value, so have been expensed as incurred and not capitalised as right-of-use assets and are not considered material to the consolidated entity.

Note 10. 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:

	Furniture & fittings	Office equipment	Consolidated Total
	\$	\$	\$
Carrying value at 1 July 2019	120,519	56,364	176,883
Additions	25,835	3,234	29,069
Depreciation	(47,274)	(31,638)	(78,912)
Carrying value at 30 June 2020	<u>99,080</u>	<u>27,960</u>	<u>127,040</u>
Cost as at 30 June 2020	161,013	137,183	298,196
Accumulated depreciation at 30 June 2020	(61,933)	(109,223)	(171,156)
Carrying value at 30 June 2020 / 1 July 2020	<u>99,080</u>	<u>27,960</u>	<u>127,040</u>
Additions	4,240	27,908	32,148
Acquired via business combination - Refer Note 28	-	14,298	14,298
Depreciation	(56,786)	(20,628)	(77,414)
Carrying value at 30 June 2021	<u>46,534</u>	<u>49,538</u>	<u>96,072</u>
Cost as at 30 June 2021	165,253	179,339	344,592
Accumulated depreciation at 30 June 2021	(118,719)	(129,801)	(248,520)
Carrying value at 30 June 2021	<u>46,534</u>	<u>49,538</u>	<u>96,072</u>

Note 11. Current liabilities - trade and other payables

	Consolidated	
	2021	2020
	\$	\$
Trade payables	203,556	84,442
Other payables	466,698	280,367
	<u>670,254</u>	<u>364,809</u>

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

	Total	On demand	< 3 months	3 to 12 months
	\$	\$	\$	\$
2021	203,556	-	203,556	-
2020	84,442	-	84,442	-

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

Note 12. Provisions

	Consolidated	
	2021	2020
	\$	\$
Provision for employee benefits - current		
Provision for employee benefits – current	<u>500,608</u>	<u>223,479</u>
Provision for employee benefits – non-current		
Provision for employee benefits – non-current	<u>93,093</u>	<u>35,023</u>

Note 13. Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Lease Liability - current		
Lease liability – current	<u>134,853</u>	<u>132,401</u>
Lease Liability – non-current		
Lease liability – non-current	<u>85,982</u>	<u>205,845</u>

Note 14. Current liabilities – Contract liabilities

	Consolidated	
	2021	2020
	\$	\$
Contract liabilities	<u>2,893,063</u>	<u>1,490,640</u>
Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,490,640	1,329,915
Amounts billed in advance during the year, where the performance obligations were and will be satisfied over the FY21 and FY22 years	2,309,172	1,706,889
Balances acquired on acquisition of business refer Note 28	1,417,162	-
Transfer to revenue – performance obligations satisfied	<u>(2,323,911)</u>	<u>(1,546,164)</u>
	<u>2,893,063</u>	<u>1,490,640</u>

Note 15. Equity - issued capital

	Consolidated	
	2021	2020
	\$	\$
Ordinary shares - fully paid	<u>16,149,271</u>	<u>8,312,409</u>

Note 15. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent 2021	No. of shares Legal Parent 2020
Legal parent			
Balance at start of year		148,835,576	143,235,576
Issue of loan funded shares to directors, executives and staff	29 Nov 2019	-	5,600,000
Issue of share capital to shareholders pursuant to placement	24 Dec 2020	20,778,571	-
Issue of share capital to shareholders pursuant to placement	15 Feb 2021	650,000	-
Issue of share capital to shareholder on completion of acquisition of Greenorbit Pty Ltd	31 Mar 2021	36,978,000	-
Balance at end of year		<u>207,242,147</u>	<u>148,835,576</u>

Details	Date	2021 \$	2020 \$
Consolidated entity			
As at start of the financial year		8,312,409	8,312,409
Issue of share capital to shareholders pursuant to placement	24 Dec 2020	2,909,000	-
Issue of share capital to shareholders pursuant to placement	15 Feb 2021	91,000	-
Issue of share capital to shareholder on completion of acquisition of Greenorbit Pty Ltd	31 Mar 2021	4,992,030	-
Costs of issuing shares		(155,168)	-
Balance as at end of the financial year		<u>16,149,271</u>	<u>8,312,409</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.

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 2021	No. of options Legal Parent 2020
Legal parent			
Balance at start of year		3,550,000	9,508,334
Options expired / lapsed		(1,550,000)	(5,958,334)
Balance at end of year		<u>2,000,000</u>	<u>3,550,000</u>

2,000,000 options (all of which are vested) are exercisable at \$0.12 and expire on 24 December 2021.

300,000 options (all of which were vested and exercisable at \$0.29) expired on 1 July 2020.

1,250,000 options (all of which were vested exercisable at \$0.25) expired on 1 October 2020.

All options are unlisted and were 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.

Note 16. 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.

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 (2020: 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. All liabilities are to be settled within 12 months except for lease liabilities which are to be settled as per the following categories:

	Consolidated	
	2021	2020
	\$	\$
<i>Lease liabilities</i>		
Payable at the reporting date:		
Within 6 months	62,721	65,383
6 to 12 months	66,092	67,018
1 to 5 years	92,018	205,845
	<u>220,831</u>	<u>338,246</u>

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity monitors the materiality of foreign exchange transactions and balances and manages any material exposures to foreign exchange rate fluctuations. At balance date there were no material foreign currency risks.

Fair value of financial instruments

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

Note 17. Key management personnel disclosures

Compensation

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

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	843,807	674,950
Share based payments	70,000	81,341
Post-employment benefits	57,585	53,448
	<u>971,392</u>	<u>809,739</u>

Note 18. 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:

	Consolidated	
	2021	2020
	\$	\$
<i>Assurance services – William Buck</i>		
Audit or review of the financial statements	40,300	33,600
<i>Other services – William Buck</i>		
Taxation advice	9,463	7,500
Acquisition due diligence services	10,000	-

Note 19. Contingent liabilities

At reporting date there is a bank guarantee of \$113,712 in place (2020: \$113,712), which relates to the rental of the Melbourne premises.

At reporting date there is a bank guarantee of SGD20,814 in place (2020: SGD20,814), 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 20. Related party transactions

Legal parent entity

Knosys Limited is the legal parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 22.

Key management personnel

Disclosures relating to key management personnel are set out in Note 17 and the remuneration report in the directors' report.

Note 21. 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

	Legal Parent	
	2021	2020
	\$	\$
Profit/(Loss) after income tax	(377,631)	364,157
Total comprehensive income / (loss)	(377,631)	364,157

Statement of financial position

	Legal Parent	
	2021	2020
	\$	\$
Total current assets	5,350,307	2,450,960
Total assets	17,503,501	9,841,627
Total current liabilities	99,396	27,809
Total liabilities	99,396	27,809
Equity		
Issued capital	23,284,393	15,447,531
Share based payments reserve	394,634	556,216
Accumulated losses	(6,274,9232)	(6,189,929))
Total equity	<u>17,404,105</u>	<u>9,813,818</u>

Contingent liabilities

The legal parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The legal parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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 22. 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	
		2021 %	2020 %
Knosys Solutions Pty Ltd Principal activities – Operating company for the Knosys knowledge management business, providing operational infrastructure, employees, sales resources, Knosys Platform research, development and customer support.	Australia	100%	100%
Knosys Products Pty Ltd Principal activity – Holder of the Knosys Platform intellectual property.	Australia	100%	100%
Knosys Asia Pte Ltd (incorporated 7 August 2019) Principal activity – Provider of sales and marketing resources to sell Knosys Platform in Singapore and surrounding regions.	Singapore	100%	100%
Greenorbit Pty Ltd – Acquired 30 March 2021 Principal activity – Australian operating company of the GreenOrbit business, providing operational infrastructure, employees, sales resources, research, development and customer support	Australia	100%	-
Greenorbit Inc. – Acquired 30 March 2021 Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in USA	United States	100%	-
Greenorbit Software Limited – Acquired 30 March 2021 Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in UK	United Kingdom	100%	-
Greenorbit Software Pvt Ltd – Acquired 30 March 2021 Principal activity – Provider of customer support to GreenOrbit customers and software development services to the GreenOrbit business	India	100%	-

Note 23. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and, while the impact has not been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to be challenging and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing, lockdowns, quarantine measures, travel restrictions and any economic stimulus that may be provided.

On 1 July 2021, the Company announced to ASX that the consolidated entity had executed a conditional asset and share-sale agreement to acquire the LIBERO business from Libero Software Pty Ltd and Insight Informatics Pty Ltd for a \$5m purchase price, comprising \$4m Cash and \$1m in Knosys shares. Acquisition completion, subject to the satisfaction of certain agreed conditions, is expected to be no later than 31 August 2021.

No other matter or circumstance has arisen since 30 June 2021 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 24. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax expense for the year	(543,838)	(908,391)
Adjustments for:		
Depreciation and amortisation	188,364	189,905
Share based payments expense	135,177	85,763
Transaction costs related to acquisition of businesses	559,363	-
Change in operating assets and liabilities (the changes in 2021 include the movements in balances acquired via the acquisition of Greenorbit Pty Ltd during the financial period):		
Decrease/(Increase) in trade receivables	(37,473)	18,521
Increase in revenue billed in advance	(14,739)	160,725
(Increase) in accrued research and development tax refund receivable	(4,042)	(75,711)
(Increase) in prepayments and other debtors	45,260	(28,565)
(Decrease)/Increase in trade and other payables	167,261	(10,942)
Increase in provision for employee benefits	84,781	91,088
Net cash used in operating activities	<u>580,114</u>	<u>(477,607)</u>

Note 25. 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 directors and 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 2021 the following loan funded shares had been granted:

Grant date	Issue date	Loan Expiry date	Issue price	Balance at 30 June 2020 Number	Issued during the period Number	Sold during the period Number	Forfeited during the period Number	Balance at 30 June 2021 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	1,600,000	-	-	-	1,600,000	1,600,000
26/11/2018	24/12/2018	26/11/2023	\$0.08	250,000	-	-	-	250,000	250,000
24/12/2018	24/12/2018	24/12/2023	\$0.08	550,000	-	-	-	550,000	550,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	6,500,000	-	-	1,625,000	4,875,000	1,625,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	1,125,000	-	-	600,000	525,000	525,000
27/01/2021	15/02/2021	14/02/2026	\$0.175	-	1,000,000	-	-	1,000,000	1,000,000
29/01/2021	15/02/2021	14/02/2026	\$0.175	-	500,000	-	-	500,000	-
04/06/2021	29/06/2021	28/06/2026	\$0.075	-	725,000	-	-	725,000	-
Total				11,225,000	2,225,000	-	2,225,000	11,225,000	6,750,000
Weighted average issue price				\$0.095				\$0.110	\$0.102

The 2,225,000 loan shares granted to participants during the period were sourced from forfeited loan shares, transferred from the relevant participants.

Loan shares issued to Directors and executives

During the period 1,000,000 Loan Shares were granted to Directors on 27 January 2021 and vested on 1 March 2021 and have been valued independently at issued date. Details are as follows:

Number of Loan Shares	Service based vesting date	Fair value per share at issue date	Total fair value at issue date
1,000,000	Vested on 1 March 2021.	\$0.070	\$70,000

The valuation model inputs used by the independent valuer were as follows:

Grant date	Loan Expiry date	Share price at grant date	Issue price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate
27/01/2021	14/02/2026	\$0.195	\$0.175	0.00%	82%	0.00%	0.37%

Note 25. Share-based payments (continued)

Loan Shares issued to employees

During the period 1,225,000 Loan Shares were issued to employees. These Loan Shares were issued in at two separate dates and each allotment will vest in three tranches, subject to time-based vesting conditions and have been valued independently at issued date. Details of the vesting of each tranche are as follows:

Loan Funded Shares granted on 29 January 2021

Tranche	Number of Loan Shares	Service based vesting date	Fair value per share at issue date	Total fair value at issue date
Tranche 1	250,000	To vest on 11 July 2021.	\$0.074	\$18,500
Tranche 2	125,000	To vest on 11 January 2022.	\$0.081	\$10,125
Tranche 3	125,000	To vest on 11 July 2022.	\$0.087	\$10,875
Total	500,000			\$39,500

Loan Funded Shares granted on 4 June 2021

Tranche	Number of Loan Shares	Service based vesting date	Fair value per share at issue date	Total fair value at issue date
Tranche 1	362,500	To vest on 4 December 2021.	\$0.039	\$14,138
Tranche 2	181,250	To vest on 4 June 2022.	\$0.044	\$7,975
Tranche 3	181,250	To vest on 4 December 2022.	\$0.049	\$8,882
Total	725,000			\$30,995

The valuation model inputs used by the independent valuer were as follows:

Grant date	Loan Expiry date	Share price at grant date	Issue price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate
29/01/2021	14/02/2026	\$0.165	\$0.175	0.00%	82%	0.00%	0.378%
04/06/2021	28/06/2026	\$0.125	\$0.175	0.00%	80%	0.00%	0.705%

As at 30 June 2020 the following loan funded shares had been granted:

Grant date	Issue date	Loan Expiry date	Issue price	Balance at 30 June 2019 Number	Issued during the period Number	Sold during the period Number	Forfeited during the period Number	Balance at 30 June 2020 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	-	-	450,000	1,600,000	1,600,000
26/11/2018	24/12/2018	26/11/2023	\$0.08	1,000,000	-	-	750,000	250,000	250,000
24/12/2018	24/12/2018	24/12/2023	\$0.08	1,375,000	-	-	825,000	550,000	550,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	-	6,500,000	-	-	6,500,000	1,625,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	-	1,125,000	-	-	1,125,000	562,500
	Total			5,625,000	7,625,000	-	2,025,000	11,225,000	5,785,500
	Weighted average issue price			\$0.083				\$0.095	\$0.089

For the loan funded shares issued during the 2020 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
27/11/2019	29/11/2024	\$0.087	\$0.101	0.00%	72%	0.00%	0.76%

Note 25. Share-based payments (continued)

Employee share option plan

An employee share option plan (ESOP) was established by the consolidated entity, whereby the consolidated entity, at the discretion of the Board, granted options over ordinary shares in the company to personnel of the consolidated entity. The options were issued for nil consideration and were granted in accordance with time based and/or performance targets established by the Board. The granting of these options gave 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 2021 there were no options granted under the ESOP:

Option Issue date	Option Expiry date	Exercise price	Balance at 30 June 2020 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2021 Number	Vested and exercisable at end of the period Number
25/10/2016	01/10/2020	\$0.25	1,250,000	-	-	1,250,000	-	-
Total			1,250,000	-	-	1,250,000	-	-
Weighted average exercise price			\$0.25				-	-

As at 30 June 2020 the following options had been granted under the ESOP:

Option Issue date	Option Expiry date	Exercise price	Balance at 30 June 2019 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2020 Number	Vested and exercisable at end of the period Number
25/10/2016	01/10/2020	\$0.25	1,250,000	-	-	-	1,250,000	1,250,000
Total			1,250,000	-	-	-	1,250,000	1,250,000
Weighted average exercise price			\$0.25				\$0.25	\$0.25

Options issued to Directors and senior management

As at 30 June 2021 there were no options over ordinary shares in Knosys Limited issued to Directors and senior management (30 June 2020 - Nil).

Note 26. Segment information

Identification of reportable operating segments

The consolidated entity has one operating segment, being a developer and licensor of computer software, however it operates across multiple geographical regions. The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Geographical information

	Sales to external customers		Geographical non-current assets	
	June 2021 \$	June 2020 \$	June 2021 \$	June 2020 \$
Australia	2,644,284	2,330,046	5,207,273	423,025
United States	318,307	-	-	-
New Zealand	1,255,992	499,391	-	-
Rest of World	375,499	307,880	-	-
	<u>4,594,082</u>	<u>3,137,317</u>	<u>5,207,273</u>	<u>423,025</u>

Note 26. Segment information (continued)

Concentration of key customers

The concentration of customers for the 2021 year was as follows:

- A major customer in Australia and New Zealand in the finance sector represented 45.4% of operating revenue
- A major customer in Australia in the Telecommunications sector represented 26.5% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 6.7% of operating revenue

The concentration of customers for the 2020 year was as follows:

- A major customer in Australia and New Zealand in the finance sector represented 44.4% of operating revenue
- A major customer in Australia in the Telecommunications sector represented 38.2% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 9.8% of operating revenue

Note 27. Loss per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax attributable to the owners the parent	<u>(545,381)</u>	<u>(908,391)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>168,997,547</u>	<u>146,509,893</u>
	Cents	Cents
Basic loss per share	(0.32)	(0.62)

The 2,000,000 (2020: 3,550,000) 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.

Note 28. Business combinations

Acquisition of the Greenorbit Pty Ltd ("GreenOrbit")

On 30 March 2021 the consolidated entity acquired 100% of the issued capital of Greenorbit Pty Ltd, which owns three subsidiary companies, Greenorbit Inc, in USA, Greenorbit software Limited in UK and Greenorbit Software Pvt Ltd in India. GreenOrbit is a leading provider and operator of intranet solutions which facilitate efficient and secure internal communications and information sharing for over 260 clients, with more than 340,000 licensed users across more than 20 countries. The Company issued 36,978,000 fully paid ordinary shares to the vendor of GreenOrbit as consideration for the acquisition. Based on the market value of Knosys Limited shares on the date of completion, the acquisition value of GreenOrbit was \$4,992,030.

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of GreenOrbit as at the date of the acquisition have been provisionally determined as follows:

Note 28. Business combinations (continued)

	30 Mar 2021 \$
Cash	1,482,025
Trade receivables	186,298
Prepayments and other assets	189,008
Plant and equipment	14,298
Trade and other payables	(138,234)
Contract liabilities	(1,417,162)
Provisions	(250,418)
	<hr/>
Net assets acquired	65,815
	<hr/>
Purchase consideration, being the issue of 36,978,000 Knosys Limited shares at 13.5c per share	4,992,030
	<hr/>
Goodwill acquired on acquisition*	4,926,215
	<hr/>

* The consolidated entity is in the process of conducting a valuation of the split between identifiable and unidentifiable intangible assets, the results of which will be reflected in the financial statements in due course. Under accounting standards the consolidated entity has a period of up to 12 months from acquisition date to complete this exercise. For the purpose of the financial report for the year ended 30 June 2021 the entire balance has been recognised as Goodwill.

Acquisition costs

Transactions costs of approximately \$425,000 associated with the acquisition have been expensed and are included in Transaction costs in the income statement.

Contingent Assets and Contingent Liabilities

No contingent assets or liabilities were assumed by the Group as a result of the acquisition of GreenOrbit.

Revenue and profit contribution

Since the date of acquisition estimated revenue contributed by GreenOrbit for the three months to 30 June 2021 was \$757,000, with a small net loss contribution of \$87,000. Based on pre and post acquisition analysis of GreenOrbit, the annual revenue contribution to the consolidated entity from GreenOrbit was estimated to be \$2.8m if the acquisition had occurred on 1 July 2020. Based on the nature of the business combination from which GreenOrbit was acquired, it was not possible to determine the profit impact to the Group if the acquisition had occurred on 1 July 2020.

Knosys Limited
Directors' declaration
30 June 2021

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 2021 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



Hon. Alan Stockdale AO
Director

25 August 2021
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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and 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 2021 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

RECOGNITION OF REVENUE UNDER SERVICE CONTRACTS	
Area of focus Refer also to notes 1, 3 and 14	How our audit addressed it
<p>The Group has service contracts with its 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 in accordance with <i>AASB 15 Revenue from Contracts with Customers</i>.</p> <p>In order to accrue revenue appropriately in the correct accounting period, management has developed a model to recognise revenue when the performance obligation is satisfied in each contract. This includes identifying the specific performance obligations within each customer agreement on commencement.</p> <p>There is a requirement for judgement 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"> • Compliance with <i>AASB 15 – Revenue from contracts with customers</i>; • When the performance obligation is identified and satisfied in respect to each component of each contract; and • The potential for any post-contract servicing work to be performed at the conclusion of the contract and whether an additional performance obligation exists. <p>Based on the above revenue recognition was a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Examining management's revenue recognition model to ensure compliance with <i>AASB 15</i>; • Testing of customer invoicing under the contract; and • 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. <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</p>

ACQUISITION OF THE GREENORBIT GROUP OF ENTITIES

Area of focus Refer also to notes 1 and 28	How our audit addressed it
<p>The Group acquired the GreenOrbit group of entities ("GreenOrbit") on 30 March 2021 for a total consideration of \$5.0 million.</p> <p>Accounting for this transaction is complex and required significant judgements and estimates by management on the initial entries recorded, specifically to determine the fair value of assets and liabilities acquired in the context of Australian Accounting Standards, noting that they have been described as provisional in the financial report.</p> <p>As such this matter has been determined as a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing that the acquired entity meets the definition of a business under <i>AASB 3 – Business Combinations</i>; Reviewing the sale and purchase agreement to understand the key terms and conditions of the acquisition, including the date that control passed to the Group; and Assessing the Group's determination of fair values of assets acquired by performing specific audit procedures on opening balances at acquisition date. <p>We have also assessed the adequacy of the Group's disclosures in respect of the acquisition in the financial report.</p>

SHARE BASED PAYMENTS

Area of focus Refer also to notes 1 and 25 and the Remuneration Report	How our audit addressed it
<p>The Group has issued loan funded shares for its key management personnel and employees. The plan includes a service-based vesting period for shares issued to employees.</p> <p>The loan funded shares arrangement, which form part of the plan required significant judgements and estimations by management, including the following:</p> <ul style="list-style-type: none"> 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; 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 The evaluation of key inputs into the binomial model, including the significant judgement of the forecast volatility of the loan funded shares over its exercise period. <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"> Determining the grant dates and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; Evaluating the progress of the vesting of share-based payments within the service period; and For the specific application of the binomial model, we assessed the experience of the expert used to advise the value of the arrangements. We also assessed the reasonableness of the assumptions detailed in their report. <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</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 2021 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

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

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 2021.

In our opinion, the Remuneration Report of Knosys Limited, for the year ended 30 June 2021, 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.



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



A. A. Finnis
Director

Melbourne, 25 August 2021