

Knosys Limited

ABN 96 604 777 862

Appendix 4D

Half-year report

31 December 2021

Reporting period

Report for the half-year ended 31 December 2021.

Previous corresponding period is the half-year ended 31 December 2020.

Results for announcement to the market

	Increase/(decrease) over previous corresponding period		
		\$	%
	\$	\$	%
Revenue from ordinary activities	4,476,759	2,091,511	88
(Loss) / from ordinary activities after tax attributable to members	(1,279,865)	(1,528,111)	(>100%)
(Loss) for the period attributable to members	(1,279,865)	(1,528,111)	(>100%)

Dividends

No dividends were paid or declared during the financial period and it is not proposed to pay dividends for the foreseeable future while the business is in high investment and growth mode.

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

Explanation of results for the half year

- **Licence, Subscription, Support and Project fee revenues of \$4,195,838**, an 111% increase on December 2020 half year. Reported revenue includes full half year contribution from the acquisition of GreenOrbit Pty Ltd and a four month contribution from the acquisition of the Libero business.
- **Total revenue of \$4,476,759** (including R&D incentive of \$275,000), an 88% increase on December 2020 half year.
- **Net loss of \$1,279,865** is a 615% decrease from the \$248,246 profit in the comparable half year period to December 2020. The reported loss includes the impact of M&A transaction costs of \$419,428, non-cash charges of \$309,845 for share-based payments, \$274,041 for amortisation of intangible assets and a shift to a higher investment in accelerating domestic and global growth.

A review of operations and further narrative on the above figures is contained in the half year consolidated financial report, which has been subject to independent audit review and which is lodged with this Appendix 4D.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	0.43 cents	3.32 cents

Signed:



Stephen Kerr
CFO & Company Secretary

24 February 2022
Melbourne



Knosys Limited

ABN 96 604 777 862

ASX CODE: KNO

Half-Year Report 31 December 2021

The information in this half-year report should be read in conjunction with the annual report of Knosys Limited for the year ended 30 June 2021 and any announcements to the market by Knosys Limited for the half-year ended 31 December 2021

Corporate Information

Directors

Hon. Alan Stockdale – Chairman & Non-Executive Director
John Thompson – Managing Director
Kathrin Mutinelli – Non-Executive Director
Neil Wilson – Non-Executive Director

Company Secretary

Stephen Kerr

Registered Office

Part Level 8
31 Queen Street
MELBOURNE VIC 3000

Auditors

William Buck
Level 20, 181 William Street
MELBOURNE VIC 3000

Bankers

National Australia Bank Limited

Stock Exchange

Australian Securities Exchange
525 Collins Street
MELBOURNE VIC 3000

Stock Code

KNO

Share Register

Automic Registry Services
Suite 310, Level 3
50 Holt Street
Surry Hills NSW 2010

Directors' Report

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 half-year ended 31 December 2021.

Directors

The following persons were directors of Knosys Limited during the reporting period and to the date of this report, unless otherwise stated:

Hon. Alan Stockdale – Non-Executive Chairman
John Thompson – Managing Director
Peter Pawlowitsch – Non-Executive Director (Retired 8 December 2021)
Kathrin Mutinelli – Non-Executive Director
Neil Wilson – Non-Executive Director

Principal activities

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

Dividends

No dividends were paid or declared during the financial period and there are no plans to pay dividends for the foreseeable future while the business is in high investment and growth mode.

Review of operations for half year

Summary

- **Licence, subscription, support and project fee revenues** of \$4,195,838, an 111% increase on December 2020 half year
- **Total revenue** (including R&D incentive of \$275,000) of \$4,476,759, an 88% increase on December 2020 half year
- **Net loss of \$1,279,865** is a 615% decrease from the \$248,246 profit in the comparable half year period to December 2020. The reported loss includes the impact of M&A transaction costs of \$419,428 and non-cash charges of \$309,845 for share-based payments and \$274,041 for amortisation of intangible assets and a shift to a higher investment in the Company's accelerated domestic and global growth strategic direction.
- **Executing Acquisition Strategy:** Knosys continued its domestic and global expansion strategy by completing the acquisition of leading library services software provider Libero.
- **Increase in Annual Recurring Revenue (ARR) to \$8.9m:** This half year reflects the full contribution from GreenOrbit Pty Ltd and a 4-month contribution from the Libero acquisition. ARR is now tracking at \$8.9m compared with the prior corresponding period ("pcp") of \$3m ARR.
- **Solid cash position:** The cash balance at 31 December was \$3.6m, which is after the \$2.7m cash payment (net of cash acquired) to the Libero vendors, \$0.26m of equity contributions and positive net cash from operating activities of \$0.15m for the 6 months to 31 December 2021.
- **Customer numbers at over 360:** The Company has a strong and diverse customer base across multiple regions (December 2020 - 9 customers)

The consolidated entity is the owner of the KnowledgeIQ ("KIQ") knowledge management solution, the GreenOrbit intranet solution and the Libero library management software solution. Knosys is a global information technology company offering this 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.

Revenue from the Company's core fee activities of Licencing, Support and Projects increased by 111%, compared to the prior December 2020 half year. This was due to the impact of the GreenOrbit and Libero acquisitions plus the impact of growth in the Knowledge Management business. This half year reflects a full contribution from GreenOrbit and a 4 month contribution from Libero. Annual Recurring Revenue ("ARR") is now tracking at \$8.9m compared with the prior corresponding period ("pcp") of \$3m ARR. GreenOrbit continues to deliver revenue uplift from an increased Annual Revenue Per User ("ARPU") on annual subscription renewals and Libero revenues tracked ahead of expectations for the first 4 months of ownership. Cross selling and cost sharing opportunities are being realised as planned. There has been increased levels of pipeline growth and tender submission activity in this half compared to the pcp.

Knosys Limited
Directors' report
31 December 2021

The loss for the consolidated entity for the half year period after providing for income tax amounted to \$1,279,865 (31 December 2020 profit of \$248,246). The reported loss includes the impact of M&A transaction costs of \$419,428 and non-cash charges of \$309,845 for share-based payments and \$274,041 for amortisation of intangible assets. Acquisition costs are non-recurring charges related principally to the Libero business purchase. The loss also includes a shift to a higher investment in the Company's accelerated domestic and global growth strategic direction.

The increase in non-cash share-based payments reflects the equity-based remuneration structures put in place in the 2021 calendar year for the executive and senior management team, including executives acquired with business acquisitions. Non-cash amortisation charges, as required by accounting standards, relate to the amortisation of identifiable intangible assets acquired with the GreenOrbit acquisition. The consolidated entity had net assets of \$10,415,067 at 31 December 2021 (30 June 2021: \$10,017,838) and had cash on hand of \$3,630,529 (30 June 2021: \$6,532,415).

With the impact of GreenOrbit and Libero, cash receipts from customers for the half year increased to \$4,846,869, (December 2020: \$2,959,653). The Company generated net cash from operating activities of \$150,607 for the half year (December 2020: \$864,126). This decrease was due to increased spend on sales & marketing and expanded personnel and operational costs following the two acquisitions, consistent with the company's enhanced growth strategy. The consolidated entity had a solid cash balance at December 2021 of \$3,630,529 (June 2021: \$6,532,415), which was after the positive cashflow, the \$2.7m cash payment (net of cash acquired) to the Libero vendors and \$0.26m of equity contributions. For further narrative of the Company's cashflow performance, refer to the Company's Quarterly cash flow announcement and Appendix 4C, lodged with ASX on 31 January 2022.

Completion of acquisition of Libero

As announced to ASX on 1 September 2021, Knosys completed the acquisition of the Libero business on 31 August 2021. Completion of the acquisition followed the successful satisfaction of conditions precedent and delivery of other completion requirements under the sale agreement. Refer Note 6 of this half year financial report for the financial details of the acquisition. LIBERO is a leading Library Management Software ("LMS") business which delivers a new digital experience in managing asset collections, employees and interactions with members for public libraries, tertiary education institutions and other similar organisations. LIBERO has 116 clients located across 8 countries, predominately in Australia and Germany/EU. LIBERO is headquartered in Brisbane with 17 employees. The LIBERO business currently generates approximately \$2.2 million in Annual Recurring Revenue (ARR), with annual EBITDA in excess of \$600,000. Knosys will receive a 10-month contribution from the LIBERO business in FY22.

Executing on the enhanced growth strategy

In November 2021, Knosys released its Growth Strategy Presentation to the market. The Knosys vision is to empower organisations to make smart connections with their information. The market demand for the Knosys portfolio of SaaS solutions is driven by the remote workforce, customer expectations of consistency, exponential content volume growth as well as increasing business focus on information governance & compliance.

Knosys estimates the total market opportunity across Employee Experience, Knowledge Management and Library Management solutions to be around \$30B per annum globally.

Knosys strategic goals for 2024 are to:

- Be recognised as a leading vendor with a leadership position in all its solution spaces;
- Grow its global customer base to over 1,000 customers; and
- Have over 1m contracted users.

In order to achieve these goals Knosys will be focused on growing revenue from existing and acquired customers, growing new customer revenues in existing and acquired geographic markets, growing its brand awareness, expanding its solutions offering and accelerating growth through acquisitions and investment in organic growth to drive Annual Recurring Revenue (ARR). Marketing spend in for the half year increased to \$361k (December 2020, \$110k), to accelerate customer acquisition and revenue growth. Knosys will continue to invest in growth across the business, including the development of future releases across each of the solutions now in market.

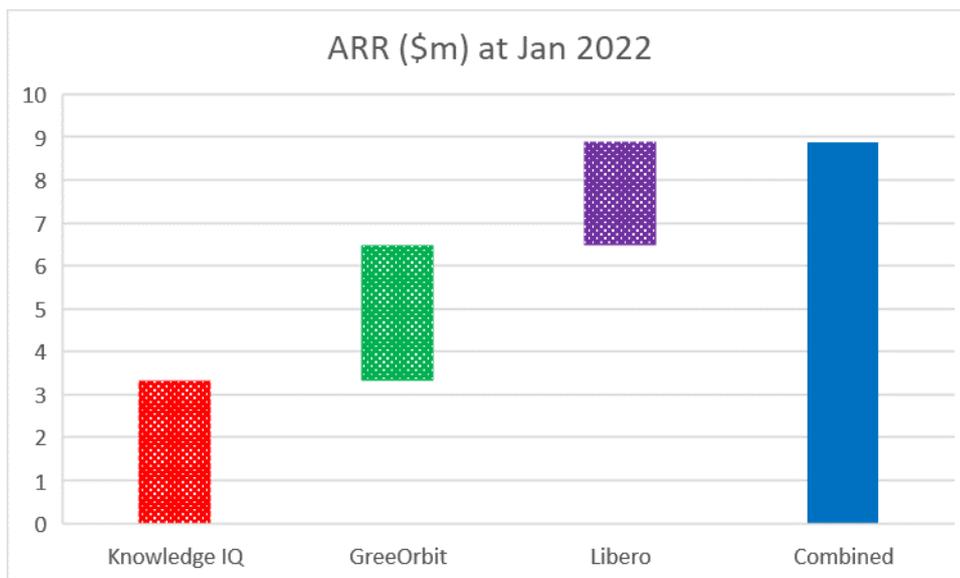
Organic growth & new sales

In this half year Knosys had a strong period for new customer wins and tendering activity. Knosys secured four new customer wins in Knowledge Management, including state government agencies, Service South Australia and Service Tasmania as well as adding 3,500 users to major banking customer ANZ Bank. Together these will contribute an additional \$230K of annualised revenue. The group continues to experience an improved sales pipeline for enterprise and mid-market prospects despite the impact of COVID-19 and the varying business conditions being experienced across all regions.

Knosys Limited
Directors' report
31 December 2021

GreenOrbit (GO) continued to generate revenue growth through increased ARPU on annual subscription renewals as well as through new customer growth. GO continues to work with its customers to convert users from the legacy Intranet dashboard software to the latest GO platform. This generates increased ARPU and results in additional service and implementation fees. The December half included a four-month contribution from the Libero business. Integration of Libero has progressed well and Libero recurring revenues are running ahead of initial expectations. Knosys continues to work on consolidating its global customer base to a single cloud service provider to improve operating margins and minimise the need for additional cloud resources going forward.

With the impact of acquisitions and sales activity, Knosys has significantly increased its total annualized recurring revenue to \$8.9m and Knosys' customer base also transformed dramatically with total customer numbers exceeding 360 globally.



Outlook

In the half year to December 2021, the Company has seen the benefits of its acquisition and organic growth strategy through the significant increase in the Company's recurring revenue base, the expansion of the SaaS product suite and further diversification of the group's geographic revenue sources. Despite the continued effects of the Covid-19 pandemic, this half-year was very active in terms of new business opportunities for KnowledgeIQ and Libero solutions. Knosys lodged multiple tender responses in the last 2 months prior to Christmas for opportunities in APAC.

The company has invested aggressively in marketing and sales activities, to align itself with economic recovery in the Australia and United States regions, and has built up the Libero sales team to tackle the EU market for library systems. As is generally the case there can be a lag between investment and outcomes, but Knosys looks forward to these initiatives contributing to revenue during the second half of FY22 and into FY23. The sales pipeline and associated tendering activity continue to be strong as the Company enters Q3 of FY22. The Company is focused on the steady increase of its Annual Recurring Revenues over time and is building a solid foundation for sustainable long term revenue growth in a market which has significant ongoing growth potential.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration

A copy of the auditor's independence declaration, which forms part of this Directors' Report, is set out on the following page.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Hon. Alan Stockdale
Chairman
24 February 2022
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 half-year ended 31 December 2021 there have been:

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

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 24 February 2022

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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Knosys Limited
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31 December 2021

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

Knosys Limited is an ASX listed public company limited by shares. Its registered office and principal place of business are:

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, in accordance with a resolution of directors, on 24 February 2022. 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 half-year ended 31 December 2021

	Consolidated	
	December	December
	2021	2020
	\$	\$
Revenue		
Licence and support fees	3,844,074	1,501,805
Rendering of services	351,764	481,920
Other income	280,921	401,701
Expenses		
Third party support costs	(528,406)	(238,696)
Research & development supplier expense	(71,970)	(33,295)
Employment costs and directors' fees	(3,143,826)	(1,217,546)
Employment costs – share-based payments	(309,845)	(37,362)
Legal and accounting	(84,716)	(72,046)
Professional advisory & consulting fees	(131,761)	(19,000)
Travel and accommodation	(28,708)	(6,559)
Marketing	(361,211)	(110,397)
Communications	(103,524)	(48,946)
Administrative and corporate	(196,152)	(86,834)
Depreciation and amortisation	(372,082)	(95,234)
Finance costs	(4,995)	(8,258)
Profit / (loss) before acquisition costs and income tax	(860,437)	411,253
Transaction costs related to acquisition of businesses	(419,428)	(163,007)
Profit / (loss) before income tax	(1,279,865)	248,246
Income tax (expense) / benefit	-	-
Profit / (loss) after income tax expense for the year attributable to owners of the parent	(1,279,865)	248,246
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(37,821)	-
Total comprehensive income / (loss) for the year attributable to owners of the parent	<u>(1,317,686)</u>	<u>248,246</u>
Earnings / (loss) per share attributable to the owners of the parent	Cents	Cents
Basic earnings / (loss) per share	(0.62)	0.17
Diluted earnings / (loss) per share	(0.62)	0.16
Weighted average number of shares used in determining basic earnings per share	211,977,904	149,626,065
Weighted average number of shares used in determining diluted earnings per share	211,977,904	152,409,489

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 31 December 2021

		Consolidated	
	Note	December 2021 \$	June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		3,630,529	6,532,415
Trade and other receivables		666,990	1,934,803
Accrued research and development tax refund receivable		775,000	500,000
Prepayments		254,141	221,200
Total current assets		<u>5,326,660</u>	<u>9,188,418</u>
Non-current assets			
Intangible assets and goodwill	7	9,352,174	4,926,215
Buildings - right of use asset		129,485	184,986
Plant and equipment		92,281	96,072
Total non-current assets		<u>9,573,940</u>	<u>5,207,273</u>
Total assets		<u>14,900,600</u>	<u>14,395,691</u>
Liabilities			
Current liabilities			
Trade and other payables		664,989	670,254
Provisions for employee benefits		607,656	500,608
Lease Liability		132,401	134,853
Revenue billed in advance		3,081,503	2,893,063
Total current liabilities		<u>4,486,549</u>	<u>4,198,778</u>
Non-current liabilities			
Provisions for employee benefits		113,093	93,093
Lease liability		25,711	85,982
Total non-current liabilities		<u>138,804</u>	<u>179,075</u>
Total liabilities		<u>4,625,353</u>	<u>4,377,853</u>
Net assets		<u>10,275,247</u>	<u>10,017,838</u>
Equity			
Issued capital	4	17,488,521	16,149,271
Reserves		591,115	393,091
Accumulated losses		(7,804,389)	(6,524,524)
Total equity		<u>10,275,247</u>	<u>10,017,838</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 half-year ended 31 December 2021

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	8,312,409	556,216	(6,277,445)	2,591,180
Profit after income tax expense for the half year	-	-	248,246	248,246
Total comprehensive profit for the half year	-	-	248,246	248,246
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,760,682	-	-	2,760,682
Share based payments (note 5)	-	37,362	-	37,362
Transfer from share-based payments reserve to accumulated losses on expiry of share-based remuneration instruments	-	(240,424)	240,424	-
Balance at 31 December 2020	<u>11,073,091</u>	<u>353,154</u>	<u>(5,788,775)</u>	<u>5,637,470</u>
Consolidated				
Balance at 1 July 2021	16,149,271	393,091	(6,524,524)	10,017,838
Loss after income tax expense for the half year	-	-	(1,279,865)	(1,279,865)
Foreign currency translation	-	(37,821)	-	(37,821)
Total comprehensive loss for the half year	-	(37,821)	(1,279,865)	(1,317,686)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,265,250	-	-	1,265,252
Share based payments (note 5)	-	309,845	-	309,845
Transfer from share-based payments reserve to issued capital on exercise of options and repayment of loan share funds	74,000	(74,000)	-	-
Balance at 31 December 2021	<u>17,488,521</u>	<u>591,115</u>	<u>(7,804,389)</u>	<u>10,275,247</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 half-year ended 31 December 2021

	Consolidated	
	December 2021	December 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	4,846,869	2,959,653
Payments to suppliers and employees	(4,697,188)	(2,151,310)
Grant revenue	-	50,000
Interest received	5,921	14,041
Interest paid	(4,995)	(8,258)
	<u>150,607</u>	<u>864,126</u>
Net cash from / (used) in operating activities		
Cash flows used in investing activities		
Payment for acquisition of businesses (net of cash acquired)	(2,726,183)	-
Payment of transaction costs related to acquisition of businesses	(490,090)	-
Payments for plant and equipment	(38,748)	-
	<u>(3,255,021)</u>	<u>-</u>
Net cash used in investing activities		
Cash flows (used in)/from financing activities		
Repayment of lease liabilities	(62,722)	(57,124)
Proceeds from issue of shares	265,250	2,909,000
Share issue transaction costs	-	(148,318)
	<u>202,528</u>	<u>2,703,558</u>
Net cash from / (used in) financing activities		
Net increase / (decrease) in cash and cash equivalents	(2,901,886)	3,567,684
Cash and cash equivalents at the beginning of the half year	<u>6,532,415</u>	<u>2,335,909</u>
Cash and cash equivalents at the end of the half year	<u><u>3,630,529</u></u>	<u><u>5,903,593</u></u>

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

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, which ensures compliance with IAS 34 interim financial reporting.

The interim financial statements are intended to provide users with an update on the latest annual financial statements of Knosys Limited. As such, the interim financial statements do not contain information that represents relatively insignificant changes occurring during the half-year of the company. It is therefore recommended that the interim financial statements be read in-conjunction with the annual financial statements of the company for the year ended 30 June 2021, together with any public announcements made during the half-year.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim half-yearly financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2021. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in the current period, but do not have an impact on the half yearly financial statements of the consolidated entity.

Note 2. Commitments and contingent liabilities

The consolidated entity has no contingent liabilities at the date of this report (June 2021: Nil).

Note 3. Segment Reporting

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	
	Dec 2021	Dec 2020	Dec 2021	June 2021
	\$	\$	\$	\$
Australia	2,673,429	1,103,134	9,573,940	5,207,273
United States	726,625	-	-	-
New Zealand	325,483	726,651	-	-
Rest of World	470,301	153,940	-	-
	<u>4,195,838</u>	<u>1,983,725</u>	<u>9,573,940</u>	<u>5,207,273</u>

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

Concentration of key customers

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

- A major customer in Australia and New Zealand in the finance sector represented 17% of operating revenue
- A major customer in Australia in the Telecommunications sector represented 13% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 4% of operating revenue

Knosys Limited
Notes to the financial statements
31 December 2021

Note 4. Equity - Issued capital

	December 2021 Shares	June 2021 Shares	December 2021 \$	June 2021 \$
Ordinary shares - fully paid	216,138,698	207,242,147	17,488,521	16,149,271

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 ordinary share capital		No. of shares Legal Parent
Balance as at 30 June 2021	Date	207,242,147
Issue of share capital to shareholder on completion of acquisition of Libero business	31 Aug 2021	6,896,551
Issue of share capital to shareholders on exercise of options	16 Dec 2021	<u>2,000,000</u>
Balance as at 31 December 2021		<u>216,138,698</u>
		\$
Balance as at 30 June 2021	Date	16,149,271
Issue of share capital to shareholder on completion of acquisition of Libero business	31 Aug 2021	1,000,000
Repayment of loan on loan funded shares	8 Dec 2021	25,250
Issue of share capital to shareholder on exercise of options	16 Dec 2021	240,000
Transfer from share-based payments reserve	31 Dec 2021	<u>74,000</u>
Balance as at 31 December 2021		<u>17,488,521</u>

Note 5. Equity based payments

Equity instruments issued to Directors, senior management, staff, consultants and resellers

Options

As at 31 December 2021 the following options over ordinary shares in Knosys Limited had been issued (Options).

Option Issue date	Option Expiry date	Exercise price	Balance at 30 June 2021 Number	Issued during the period Number	Exercised during the period Number	Expired during the period Number	Balance at 31 December 2021 Number	Vested and exercisable at end of the period Number
26/11/2018	24/12/2021	\$0.12	2,000,000	-	2,000,000	-	-	-
23/12/2021	01/07/2026	\$0.15	-	10,550,000	-	-	10,550,000	1,582,500
Total			2,000,000	10,550,000	2,000,000		10,550,000	1,582,500
Weighted average exercise price			\$0.12				\$0.15	\$0.15

Knosys Limited
Notes to the financial statements
31 December 2021

Options issued to Directors, executives and staff

During the period 6,000,000 options were issued to a director, pursuant to shareholder approval at the 8 December 2021 Annual General Meeting, and 4,550,000 options were issued to executives and staff pursuant to the Knosys Limited Employee Incentive Plan. The options have been valued by an independent expert as of issue date and have vesting criteria based on achieving employment service periods and on meeting future Volume Weighted Average Price ("VWAP") performance of Knosys shares. Detail are as follows:

Tranche	Number of Options	Service based vesting conditions	Fair value per option at grant date	Total fair value at grant date
Tranche 1	633,000	Vested on issue	\$0.073	\$46,209
Tranche 2	633,000	Vested on 1 January 2022.	\$0.073	\$46,209
Tranche 3	633,000	To vest on 1 July 2022.	\$0.077	\$48,741
Tranche 4	633,000	To vest on 1 January 2023.	\$0.083	\$52,539
Tranche 5	1,688,000	To vest on 1 July 2023.	\$0.087	\$146,856
Total	4,220,000			\$340,554

Tranche	Number of Options	Share price based vesting conditions	Fair value per option at grant date	Total fair value at grant date
Tranche 1	949,500	Vested on issue	\$0.073	\$69,314
Tranche 2	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.190 before 1 July 2024	\$0.101	\$95,900
Tranche 3	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.230 before 1 July 2024	\$0.101	\$95,900
Tranche 4	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.275 before 1 July 2024	\$0.101	\$95,900
Tranche 5	2,532,000	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.325 before 1 July 2024	\$0.100	\$253,200
Total	6,330,000			\$610,212

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

Grant date	Option Expiry date	Share price at grant date	Exercise price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate
08/12/2021	01/07/2026	\$0.15	\$0.150	0.00%	80%	0.00%	1.355%

The Options will not be transferrable or tradeable. The Options will not automatically convert to Shares upon satisfaction of the above vesting criteria, but rather the holder of the Options must complete a notice of exercise to convert the Options to Shares, deliver this notice to the Company and pay the requisite exercise price for each Option exercised.

Loan Shares

As at 31 December 2021 the following loan funded shares in Knosys Limited had been issued (Loan Shares).

Loan Shares Grant date	Loan Shares Issue date	Loan Expiry date	Issue price	Balance at 30 June 2021 Number	Issued during the period Number	Loan repaid during the period Number	Forfeited during the period Number	Balance at 31 Dec 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	5,400,000	-	250,000	3,250,000	1,900,000	1,900,000
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	-
05/10/2021	14/10/2021	13/10/2026	\$0.15	-	3,250,000	-	-	3,250,000	487,500
Total				11,225,000	3,250,000	500,000	3,250,000	10,975,000	
Weighted average issue price				\$0.110				\$0.	\$0.

Loan shares allocated to executives and staff

During the period 3,250,000 loan shares were issued to executives and staff pursuant to the Knosys Loan Funded Share Plan. The loan shares have been valued by an independent expert as of issue date and have vesting criteria based on achieving employment service periods and on meeting future Volume Weighted Average Price ("VWAP") performance of Knosys shares. Detail are as follows:

Tranche	Number of Loan Shares	Service based vesting conditions	Fair value per share at issue date	Total fair value at issue date
Tranche 1	195,000	Vested on issue	\$0.063	\$12,285
Tranche 2	195,000	Vested on 1 January 2022.	\$0.064	\$12,480
Tranche 3	195,000	To vest on 1 July 2022.	\$0.069	\$13,455
Tranche 4	195,000	To vest on 1 January 2023.	\$0.074	\$14,430
Tranche 5	520,000	To vest on 1 July 2023.	\$0.078	\$40,560
Total	1,300,000			\$93,210

Tranche	Number of Loan Shares	Share price based vesting conditions	Fair value per share at grant date	Total fair value at grant date
Tranche 1	292,500	Vested on issue	\$0.063	\$18,428
Tranche 2	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.190 before 1 July 2024	\$0.092	\$26,910
Tranche 3	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.230 before 1 July 2024	\$0.092	\$26,910
Tranche 4	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.275 before 1 July 2024	\$0.092	\$26,910
Tranche 5	780,000	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.325 before 1 July 2024	\$0.091	\$70,980
Total	1,950,000			\$170,138

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

Grant date	Option Expiry date	Share price at grant date	Exercise price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate
08/12/2021	01/07/2026	\$0.15	\$0.150	0.00%	80%	0.00%	1.355%

The total number of options outstanding at period end is as follows:

	December 2021 Options	June 2021 Options
Options issued to executives and staff under the employee incentive plan	4,550,000	-
Options issued to a Director on the same terms as the employee incentive plan	6,000,000	-
Options issued to external advisors	-	2,000,000
	<u>10,550,000</u>	<u>2,000,000</u>

Knosys Limited
Notes to the financial statements
31 December 2021

The total number of loan funded shares outstanding at period end is as follows:

	December 2021	June 2021
	Loan funded shares	Loan funded shares
Loan Shares issued under the loan funded share plan to a director, executives and staff.	3,125,000	5,625,000
Loan Shares issued to directors and executives, on the same terms as the loan funded share plan.	<u>7,850,000</u>	<u>5,600,000</u>
	<u><u>10,975,000</u></u>	<u><u>11,225,000</u></u>

Expenses arising from share-based payment transactions

Net charges arising from share-based payment transactions recognised during the financial period were \$309,845 (\$37,362 for prior comparative period). This was comprised of a vesting charge of \$309,845 to the profit and loss, in respect to Loan Shares and Options on issue.

Note 6. Business combinations

Acquisition of the Libero business (“Libero”)

On 31 August 2021 the consolidated entity, through its newly formed 100% owned subsidiary Libero Systems Pty Ltd, acquired the Libero business, which includes a subsidiary company, Libero IS GmbH in Germany. Libero is a leading Library Management Software (“LMS”) business which delivers a digital experience in managing asset collections, employees and interactions with members for public libraries, tertiary education institutions and other similar organisations. Libero has 116 clients located across 8 countries, predominately in Australia and Germany/EU. The Company paid net cash of \$2,846,134 and issued 6,896,551 fully paid ordinary shares to the vendor of Libero as consideration for the acquisition. Based on the market value of Knosys Limited shares on the date of completion, the total acquisition value of Libero was \$3,846,134.

Identifiable assets acquired and liabilities assumed

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

	31 Aug 2021 \$
Cash	119,951
Trade receivables	276,696
Prepayments and other assets	56,763
Trade and other payables	(93,068)
Contract liabilities	(1,081,918)
Provisions	<u>(132,290)</u>
Net assets acquired	<u><u>(853,866)</u></u>
Purchase consideration	
Issue of 6,896,551 Knosys Limited shares at 14.5c per share to vendor	1,000,000
Cash paid to vendor	<u>2,846,134</u>
Total purchase consideration	<u><u>3,846,134</u></u>
Goodwill acquired on acquisition*	<u><u>4,700,000</u></u>

* 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 half year ended 31 December 2021 the entire balance has been recognised as Goodwill.

Knosys Limited
Notes to the financial statements
31 December 2021

Acquisition costs

Transactions costs of approximately \$330,000 associated with the acquisition have been expensed this financial period 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 Libero.

Revenue and profit contribution

Since the date of acquisition estimated revenue contributed by Libero for the four months to 31 December 2021 was \$815,000, with a net profit contribution of \$439,000, before amortisation of intangible assets. Based on pre and post-acquisition analysis of Libero, the half yearly revenue contribution to the consolidated entity from Libero was estimated to be \$1.1m if the acquisition had occurred on 1 July 2021. Based on the nature of the business combination from which Libero was acquired, it was not possible to determine the profit impact to the Group if the acquisition had occurred on 1 July 2021.

Note 7. Intangibles

Reconciliations of the carrying values of each class of intangibles at the beginning and end of the current financial period, for the consolidated entity, are as follows:

	Goodwill	Customer contracts	Marketing assets	Consolidated Total
	\$		\$	\$
Carrying value at 1 July 2021	4,926,215	-	-	4,926,215
Additions – Refer Note 6	4,700,000	-	-	4,700,000
Reclassifications	(3,323,000)	3,033,000	290,000	-
Amortisation	-	(230,050)	(43,991)	(274,041)
Carrying value at 31 December 2021	<u>6,303,215</u>	<u>2,802,950</u>	<u>246,009</u>	<u>9,352,174</u>
Cost as at 31 December 2021	6,303,215	3,033,000	290,000	9,626,215
Accumulated Amortisation at 31 December 2021	-	(230,050)	(43,991)	(274,041)
Carrying value at 31 December 2021	<u>6,303,215</u>	<u>2,802,950</u>	<u>246,009</u>	<u>9,352,174</u>

The opening balance of intangibles arose in respect to the acquisition of Greenorbit Pty Ltd (GO) in March 2021. At 30 June 2021 the consolidated entity was in the process of conducting a valuation of the split of this intangible balance between identifiable and unidentifiable intangible assets. Under Australian 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 was recognised as Goodwill. The valuation of intangibles in respect of GO was completed by an independent expert in this financial period and identifiable intangibles were reclassified to Customer Contracts and Marketing Assets and are disclosed above as at 31 December 2021. These identifiable intangible assets are subject to amortisation, at annual rates of 10% and 20% respectively, as determined by the company and with effect from acquisition date.

Note 8. Fair value measurement

Due to the nature of the consolidated entity's operating profile, the Directors and management do not consider that the fair values of the consolidated entity's financial assets and liabilities are materially different from their carrying amounts at 31 December 2021.

Note 9. Matters subsequent to the financial period

No matter or circumstance has arisen since 31 December 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.

Knosys Limited
Directors' declaration
31 December 2021

In the directors' opinion:

1. the attached consolidated financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and;
 - (a) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors



Hon. Alan Stockdale
Chairman

24 February 2022
Melbourne

Knosys Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Knosys Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Knosys Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
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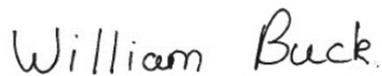
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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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



A. A. Finnis

Director

Melbourne, 24 February 2022