Knosys Limited

ABN 96 604 777 862

Annual Report - 30 June 2015

Knosys Limited
Directors' report
30 June 2015

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 2015.

Directors

The following persons were directors of Knosys Limited during the period from incorporation on 16 March 2015 to the date of this report, unless otherwise stated:

Hon. Alan Stockdale (appointed 30 April 2015)
Ashley Gall (appointed 30 April 2015)
Alistair Wardlaw (appointed 30 April 2015)
Gavin Campion (appointed 30 April 2015)
Richard Levy (appointed 30 April 2015)
Peter Pawlowitsch (appointed 16 March 2015)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:
- Computer software development and licencing.

Dividends

No dividends were paid or declared during the financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $592,989 (30 June 2014 loss: $101,787).

The financial position of the consolidated entity is strong. The consolidated entity had net assets of $158,676 at 30 June 2015, cash on hand of $181,773 and, as referred to below, subsequent to the end of the financial year the company raised $4,000,000 (before expenses) through the issue of new equity. The consolidated entity is well funded and has the resources to develop its product and its business.

The consolidated entity is the owner of the Knosys Platform which provides an enterprise-grade, knowledge management solution for organisations.

The Knosys Platform enables organisations, large or small, to better capture, manage and access information across often disparate business units, divisions and information technology (IT) platforms, improving and simplifying the knowledge.

The Knosys Platform sits above an organisation's existing technology or IT platform, without disrupting existing processes. The Knosys Platform optimises the outcomes of existing IT platforms in an organisation through the integration of their capabilities and content, without moving the data from the legacy system. This is done by indexing the data/information location or tagging the file and creating a virtual link to the information without the requirement to replicate the information into a central repository.

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.

During the financial year the consolidated entity has continued to develop the Knosys Platform and has commenced marketing and sales of the product, gaining one of Australia's four major banks as a key customer.

Significant changes in the state of affairs

Knosys Limited was incorporated on 16 March 2015 for the primary purpose of being the holding company of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd and raising equity through a listing on ASX to accelerate the commercialisation of the Knosys Platform.
Knosys Products Pty Ltd and Knosys Solutions Pty Ltd were formed in June 2013 by the Group's founders, Alistair Wardlaw, Gavin Campion and Richard Levy, to productise the Knosys Platform. In March 2015, the Company acquired all of the issued share capital of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd, from entities associated with the founders, in consideration for the issue of Shares to those entities. Knosys Solutions Pty Ltd is the operating entity which conducts the business of supplying the Knosys Platform to clients while Knosys Products Pty Ltd owns the intellectual property which it licences to Knosys Solutions Pty Ltd.

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

Matters subsequent to the end of the financial year
On 22 July 2015 the company lodged a prospectus with ASIC to raise $4,000,000 (before expenses) through an offer to the public of 20,000,000 fully paid ordinary shares at an issue price of $0.20 per share.

The offer under the prospectus was closed on 1 September 2015 and the company listed on the Australian stock exchange on 9 September 2015 (ASX:KNO).

No other matter or circumstance has arisen since 30 June 2015 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
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
Title:	Non-Executive Chairman
Experience and expertise:	Hon. Alan Stockdale served as Treasurer in the Victorian Government from 1992 to 1999 and his responsibilities included the Government reform agenda and general financial management. Alan was responsible for the privatisation of $A30 billion of Government business enterprises. He was also Minister for IT and Multimedia from 1996 to 1999, promoting Victoria as a leader in the application of multimedia and new information technologies. In the private sector, Alan was employed by Macquarie Bank for a total of six years, co-leading the Macquarie team that successfully bid to acquire Sydney Airport. Taking on a number of other corporate advisory roles, he was involved in a wide range of infrastructure transactions, especially in the power, gas and transport sectors in Australia and overseas. Alan has developed a career as a company Chairman and director of a number of ASX-listed companies and of various unlisted companies and not-for-profit organisations. He has been Chairman of Axon Instruments Inc (incorporated in the USA and listed on the ASX), Symex Holdings Limited, Senetas Corporation Limited and a director of Marriner Financial Limited. 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 is a Fellow of the Australian Institute of Company Directors.

Name:	Ashley Gall
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Ashley Gall has over 25 years' experience working in the information technology sector. This has formed the basis of Ashley's strong industry expertise in enterprise market segments including government, health, utilities, education, finance and banking. Serving as an Enterprise Account Manager with multinational information technology corporation Hewlett-Packard from 1991 until 2009, Ashley then moved on, becoming a Senior Account Manager for Southern Cross Computer Systems from 2009 until 2012. From 2013 to January 2015, Ashley was the Victorian Sales Manager for NTT Communications ICT Solutions. Coming from an engineering background, Ashley has developed his knowledge and skills from working in sales and sales management, with a strong focus on business solutions. Ashley studied at Collingwood & Box Hill TAFE obtaining a Certificate and Associate Degree in Civil Drafting and Civil Engineering.

Name:	Alistair Wardlaw
Title:	Executive Director and Chief Technical Officer
Experience and expertise:	Alistair has 20 years' experience in multimedia, information technology and software development and delivery. As a co-founder of the Group and Chief Technology Officer, Alistair has played a key role in productising and commercialising the Knosys Platform, taking the original conceptual model of the Knosys Platform through each phase of the software development life cycle to the final product. For the last 15 years Alistair has been a part owner and operations director of MMG interactive, which has provided services for many blue chip and high value small-to-medium enterprise customers, developing customer-centric websites, application and SaaS platforms. Alistair is also a co-founder of apStream, a streaming and content distribution network to commercial and government sectors. Alistair has academic training from La Trobe University and Monash University and applications experience in electronic graphic design.

Name: Gavin Campion
Title: Executive Director

Experience and expertise:

Gavin Campion was the founder and a director of marketing services company, Reality Group. Reality Group won agency of the year in 2003. Gavin sold Reality Group in 2005. In 2004, Gavin acquired Shoppers Advantage, serving as CEO (2004-2008) and Chairman (2008-2011), Gavin took responsibility for re-engineering the business into a large SaaS based business-to-business retail e-commerce business. Shoppers Advantage was sold in 2011.

In 2004, Gavin acquired Presidential Card. Serving as Director, Gavin assisted in making Presidential Card a large Australian online discount program. In 2010 Gavin merged Presidential Card with Strategic Rewards and acquired a number of minor players in the market. Gavin sold his shares to management in 2013.

Gavin was the founder and CEO of the digital marketing services agency, Sputnik Agency. In 2007 Sputnik Agency won B&T Agency of the Year. Gavin sold Sputnik in 2008.

From April 2008 until March 2012, Gavin served as President of KIT digital, global provider of video asset management solutions for multi-screen IP-based delivery.

Gavin has been involved with productising and commercialisation of the Knosys Platform since 2012.

In 2014, Gavin joined Dubber Corporation Ltd (ASX:DUB) as commercial director, being appointed a director on 15 December 2014. He assisted in repositioning the business and listing it on the ASX in Feb 2015.

Gavin also sits on a number of small cap technology companies advisory boards.

Gavin holds an honours degree in marketing from the UK.

Name: Richard Levy
Title: Non-Executive Director

Experience and expertise:

Richard Levy has had 27 years automotive manufacturer (Nissan/Ford) and supplier (Air International) experience in sales and marketing management positions including four years as Director of Sales and Dealer Operations at Nissan. He has also had investments and participation in several commercial ventures including food, travel and now internet businesses.

Richard has been a partner and Managing Director of MMG Interactive for the last 15 years including involvement with servicing many blue chip and high value SME customers, and has also published papers on the internet and the auto industry - both business-to business and business-to-consumer. He was and continues to be a founding owner of apStream, an internet streaming services company.

Richard holds an Economics degree from the ANU.

Name: Peter Pawlowitsch
Title: Non-Executive Director

Experience and expertise:

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 years.

Peter is Chairman of Dubber Corporation Limited (appointed a director on 26 September 2011), and a non-executive director of Ventnor Resources Ltd (appointed 12 February 2010) and Kunene Resources Ltd (appointed 30 January 2010), all ASX-listed companies.

Peter holds a Bachelor of Commerce from the University of Western Australia, is a current member of the Certified Practising Accountants of Australia and also holds a Masters of Business Administration from Curtin University.

Company Secretary and Chief Financial Officer
Stephen Kerr (BCom, ACA, FGIA) has held the role of 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 15 years. Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of the Institute of Chartered Accountants in Australia 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') and of each Board committee held from date of incorporation on 16 March 2015 to the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Hon. Alan Stockdale	1	1
Ashley Gall	1	1
Alistair Wardlaw	1	1
Gavin Campion	1	1
Richard Levy	1	1
Peter Pawlowitsch	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option
Unissued ordinary shares of Knosys Limited under option at the date of this report are as follows:

Issue date	Expiry date	Exercise price	Number under option
May 2015	1 July 2019	$0.25	7,400,000
June 2015	1 July 2019	$0.25	425,000

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

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

Shares issued on the exercise of options
No ordinary shares of Knosys Limited were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted.

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.

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

Corporate Governance Statement
The company's corporate governance statement can be found on the company website at
http://www.knosys.it/investor/documents/Corporate Governance Statement.pdf

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.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Non-audit Services
The Board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence because the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to William Buck Audit (VIC) Pty Ltd for non-audit services provided during the year ended 30 June 2015;

Transaction and due diligence services	$19,277

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

Richard Levy
Director

28 September 2015
Melbourne

William Buck

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 2015 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

N. S. Benbow
Director
Dated this 28th day of September, 2015

CHARTERED ACCOUNTANTS & ADVISORS

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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.

On 23 March 2015 Knosys Limited acquired all of the share capital of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd through the issue of 47,500,000 ordinary fully paid shares to the respective shareholders. This transaction is considered a reverse acquisition in accordance with Australian Accounting Standards and Knosys Solutions Pty Ltd was deemed to be the acquirer for accounting purposes. Knosys Solutions Pty Ltd is the larger of the combining entities, is the only entity that traded as at the date of the transaction and holds the revenue generating contracts and has recognised assets and liabilities on its statement of financial position. Therefore Knosys Limited and Knosys Products Pty Ltd have been identified as the accounting acquirees. As a consequence of the reverse acquisition, the financial information represented in the consolidated financial statements is issued under the name of Knosys Limited but is deemed under accounting rules to be a continuation of the legal subsidiary Knosys Solutions Pty Ltd.

At 30 June 2015 Knosys Limited was an unlisted public company limited by shares, incorporated and domiciled in Australia. On 9 September 2015 Knosys Limited became an ASX listed public company limited by shares. Its registered office and principal place of business are:

Registered office	Principal place of business
40 Glasshouse Road Collingwood VIC 3066	40 Glasshouse Road Collingwood VIC 3066

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 28 September 2015. 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 2015

	Note	Consolidated 2015 $	2014 $
Revenue	3	784,521	-
Research and development tax refund		189,769	83,138
Other income		182	-
Expenses			
Licence Fee expense		(215,000)	-
Payments to suppliers for research and development activities		(415,000)	(184,750)
Employee benefits expense	4	(427,075)	-
Depreciation and amortisation expense		(309)	-
Legal and accounting expenses		(91,823)	-
Travel and accommodation		(55,044)	-
Other expenses	4	(98,522)	(250)
Loss before transaction costs and income tax		(328,301)	(101,862)
Transaction costs relating to the reverse acquisition by the accounting acquirer Knosys Solutions Pty Ltd of Knosys Limited and Knosys Products Pty Ltd		(264,613)	-
Loss before income tax		(592,914)	-
Income tax (expense) credit	5	(75)	75
Loss after income tax expense for the year attributable to owners of the parent		(592,989)	(101,787)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the parent		(592,989)	(101,787)
Loss per share for loss attributable to the owners of the parent		**Cents**	**Cents**
Basic loss per share	22	(1.83)	(0.43)

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 2015

	Note	Consolidated 2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	181,773	1,799
Trade and other receivables	7	814,795	18,475
Accrued research and development tax refund receivable		186,750	83,138
Prepayments		5,000	-
Total current assets		1,188,318	103,412
Non-current assets			
Plant and equipment		6,421	-
Deferred tax asset		-	75
Total non-current assets		6,421	75
Total assets		1,194,739	103,487
Liabilities			
Current liabilities			
Trade and other payables	8	227,410	205,250
Provisions for employee benefits		56,841	-
Revenue billed in advance		751,812	-
Total current liabilities		1,036,063	205,250
Total liabilities		1,036,063	205,250
Net assets		158,676	(101,763)
Equity			
Issued capital	9	853,452	24
Accumulated losses		(694,776)	(101,787)
Total equity		158,676	(101,763)

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 2015

Consolidated	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2013	24	-	24
Loss after income tax expense for the year	-	(101,787)	(101,787)
Total comprehensive loss for the year	-	(101,787)	(101,787)
Balance at 30 June 2014	24	(101,787)	(101,763)

Consolidated	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014	24	(101,787)	(101,763)
Loss after income tax expense for the year	-	(592,989)	(592,989)
Total comprehensive loss for the year	-	(592,989)	(592,989)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 9)	853,428	-	853,428
Balance at 30 June 2015	853,452	(694,776)	158,676

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 2015

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		818,647	-
Payments to suppliers and employees		(1,423,076)	(203,475)
Research and development tax refund		86,157	-
Net cash used in operating activities	19	(518,272)	(203,475)
Cash flows from investing activities			
Payments for plant and equipment		(6,730)	-
Net cash used in investing activities		(6,730)	-
Cash flows from financing activities			
Proceeds from issue of shares		749,976	24
Proceeds from borrowings		-	205,250
Share issue transaction costs		(45,000)	-
Net cash from financing activities		704,976	205,274
Net increase in cash and cash equivalents		179,974	1,799
Cash and cash equivalents at the beginning of the financial year		1,799	-
Cash and cash equivalents at the end of the financial year	6	181,773	1,799

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

Note 1. Significant accounting policies

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

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

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

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

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, applying the going concern basis of accounting.

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 16.

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.

Accounting for purchases of non-trading entities through reverse acquisitions

On 23 March 2015 Knosys Limited acquired all of the share capital of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd through the issue of 47,500,000 ordinary fully paid shares to the respective business shareholders. This transaction is considered a reverse acquisition in accordance with Australian Accounting Standards and Knosys Solutions Pty Ltd was deemed to be the acquirer for accounting purposes. Knosys Solutions Pty Ltd is the larger of the combining entities, is the only entity that trades as at the date of the transaction and holds the revenue generating contracts and has recognised assets and liabilities on its statement of financial position. Therefore Knosys Limited and Knosys Products Pty Ltd have been identified as the accounting acquirees. As a consequence of the reverse acquisition, the financial information represented in the consolidated financial statements is issued under the name of Knosys Limited but is deemed under accounting rules to be a continuation of the legal subsidiary Knosys Solutions Pty Ltd.

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

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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services
Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

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.

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 for each jurisdiction, 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 and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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

Employee benefits

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured 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 the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 1. Significant accounting policies (continued)

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.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

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.

Note 1. Significant accounting policies (continued)

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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:

As stated in Note 1 *Accounting for purchases of non-trading entities through reverse acquisitions*, these financial statements are of the consolidated entity ultimately controlled by Knosys Limited, but the financial information represented in the consolidated financial statements, although issued under the name of Knosys Limited, is deemed under reverse acquisition accounting rules to be a continuation of the legal subsidiary Knosys Solutions Pty Ltd. Management examined the reverse acquisition which took place on 23 March 2015 and assessed that both Knosys Limited and Knosys Products Pty Ltd did not have the necessary inputs, processes and outputs to satisfy the accounting definition of a business. As a consequence, the assets and liabilities acquired at this date are at their written down cost values and not their fair values.

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	
	2015	**2014**
	$	**$**
Sales revenue		
Licence and support fees	424,521	-
Rendering of services	360,000	-
Revenue	787,521	-

Note 4. Expenses

	Consolidated	
	2015	**2014**
	$	**$**
Profit before income tax includes the following specific expenses:		
Rental expense relating to operating leases		
Minimum lease payments	18,760	-
Superannuation expense		
Accumulation fund Superannuation expense	21,150	-

Note 5. Income tax expense

	Consolidated 2015 $	Consolidated 2014 $
Income tax expense		
Current Tax benefit	(12,517)	-
Deferred tax - origination and reversal of temporary differences	(17,052)	(75)
Deferred tax assets not recognised	29,569	-
Adjustment recognised for prior periods	75	-
Aggregate income tax expense	75	(75)
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	75	(75)
Deferred tax - origination and reversal of temporary differences	-	(75)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	(592,914)	(101,862)
Tax at the statutory tax rate of 30%	(177,874)	(30,559)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	1,503	-
Research and development costs	124,500	55,425
Transaction costs relating to the reverse acquisition by the accounting acquirer Knosys Solutions Pty Ltd of Knosys Limited and Knosys Products Pty Ltd	78,282	-
Non-assessable R&D refund	(56,025)	(24,941)
Sundry items	45	-
	(29,569)	(75)
Deferred tax assets not recognised	29,569	-
Adjustment recognised for prior periods	75	-
Income tax expense	75	(75)

Note 6. Current assets - cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash at bank	181,773	1,799
	181,773	1,799

Note 7. Current assets - trade and other receivables

	Consolidated 2015 $	Consolidated 2014 $
Trade receivables	814,795	-
Other receivables	-	18,475
	814,795	18,475

Note 8. Current liabilities - trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade payables	136,711	-
Related party payables	79,493	205,250
Other payables	11,206	-
	227,410	205,250

Note 9. Equity - issued capital

	Legal Parent 2015 Shares	Legal Parent 2014 Shares	Consolidated 2015 $	Consolidated 2014 $
Ordinary shares - fully paid	55,849,386	-	853,452	24

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent
Legal parent		
Shares at incorporation of legal parent	16 March 2015	-
Issue of shares to founders	16 March 2015	2,000,000
Issue of shares to effect reverse acquisition of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd	23 March 2015	47,750,000
Issue of share capital to shareholders	27 March 2015	5,357,126
Issue of share capital in settlement of loan owing to the MMG Integrative partnership	13 May 2015	742,260
Balance as at 30 June 2015		55,849,386

Note 9. Equity - issued capital (continued)

Details	Date	$
Consolidated entity		
As at the beginning of the financial year		24
Reverse acquisition of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd	23 March 2015	-
Issue of share capital to shareholders	27 March 2015	749,976
Issue of share capital in settlement of loan owing to the MMG Integrative partnership	13 May 2015	148,452
Costs of issuing shares		45,000
Balance as at 30 June 2015		853,452

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.

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

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

Note 10. 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.

The consolidated entity has a credit risk exposure with a major Australian bank, which as at 30 June 2015 owed the consolidated entity $814,795 (100% of trade receivables). This balance was within its terms of trade and no impairment was made as at 30 June 2015. Management monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Note 39. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. All amounts payable are within agreed terms.

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

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

Note 11. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and the Chief Financial Officer of the consolidated entity is set out below:

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	224,132	-
Post-employment benefits	13,768	-
	237,900	-

Note 12. 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	
	2015	**2014**
	$	**$**
Assurance services – William Buck		
Audit or review of the financial statements	15,500	-
Transaction and due diligence services	19,277	-
	34,777	-

Note 13. Contingent liabilities

The consolidated entity has no contingent liabilities at balance date.

Note 14. Commitments

	Consolidated	
	2015	**2014**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	7,578	-
One to five years	-	-
More than five years	-	-
	7,578	-

Operating lease commitments includes contracted amounts for the head office under a non-cancellable operating sub-lease, the term of which expires on 31 August 2015 and thereafter continues until terminated by either party on two months written notice.

Note 15. Related party transactions

Legal Parent entity
Knosys Limited is the legal parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 17.

Key management personnel
Remuneration of directors and the Chief Financial Officer is set out in note 11.

Transactions with related parties
The following transactions occurred with related parties:

In the statement of profit and loss and other comprehensive income for the period 1 July 2014 to 30 June 2015 for the Consolidated Entity the following related party transactions took place:

- Knosys Solutions Pty Ltd earned $350,000 in pre-acquisition revenue from Knosys Products Pty Ltd for development and implementation fees;
- Knosys Solutions Pty Ltd incurred $215,000 in pre-acquisition licence fees paid to Knosys Products Pty Ltd.

	Consolidated	
	2015	**2014**
	$	**$**
Payment for goods and services:		
Payment for services from MMG Interactive (a partnership associated with Alistair Wardlaw and Richard Levy)	498,231	184,750

Settlement of related party loan
During the year the company issued 742,260 fully paid ordinary shares in settlement of $148,452 payable to MMG Interactive Partnership.

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

Note 16. 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 2015 $	Legal Parent 2014 $
Profit after income tax	(156,217)	-
Total comprehensive income	(156,217)	-

Statement of financial position

	Legal Parent 2015 $	Legal Parent 2014 $
Total current assets	136,150	-
Total assets	7,841,602	-
Total current liabilities	459,367	-
Total liabilities	459,367	-
Equity		
Issued capital	7,538,452	-
Accumulated losses	(156,217)	-
Total equity	7,382,235	-

Contingent liabilities
The legal parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment
The legal parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

Significant accounting policies
The accounting policies of the legal parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the legal parent entity.
- Dividends received from subsidiaries are recognised as other income by the legal parent entity and receipt of such (or absence thereof) may be an indicator of an impairment of the investment.

Note 17. 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 2015 %	2014 %
Knosys Solutions Pty Ltd	Australia	100.00%	-
Knosys Products Pty Ltd	Australia	100.00%	-

Note 18. Events after the reporting period

On 22 July 2015 the company lodged a prospectus with ASIC to raise $4,000,000 (before expenses) through an offer to the public of 20,000,000 fully paid ordinary shares at an issue price of $0.20 per share.

The offer under the prospectus was closed on 1 September 2015 and the company listed on the Australian stock exchange on 9 September 2015 (ASX:KNO).

No other matter or circumstance has arisen since 30 June 2015 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 19. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2015 $	2014 $
Loss after income tax expense for the year	(592,989)	(101,787)
Adjustments for:		
Depreciation and amortisation	309	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(796,320)	(18,475)
Decrease (Increase) in deferred tax assets	75	(75)
Decrease/(increase) in revenue billed in advance	751,812	-
Increase in prepayments	(5,000)	-
Decrease/(increase) in accrued research and development tax refund receivable	(103,612)	(83,138)
Increase/(decrease) in trade and other payables	170,612	-
Increase in provision for employee benefits	56,841	-
Net cash from operating activities	(518,272)	(203,475)

Note 20 Share-based payments

Employee share option plan

An employee share option plan (ESOP) has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

As at 30 June 2015 no options had been granted under the ESOP.

Options issued to Directors and senior management

As at 30 June 2015 the following unvested options over ordinary shares in Knosys Limited had been issued (Options), These Options were issued separately to the ESOP.

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

2015

Issue date	Expiry date	Exercise price	Balance at the start of the year	Issued	Vested	Exercised expired/ forfeited	Balance at the end of the year
09/05/2015	01/07/2019	$0.25	-	7,400,000	-	-	7,400,000
29/06/2015	01/07/2019	$0.25	-	425,000	-	-	425,000
			-	7,825,000	-	-	7,825,000
Weighted average exercise price			-	$0.25	-	-	$0.25

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

No options had vested or were exercisable at the end of the financial year, therefore there were no share based payments to directors or executives during the year ended 30 June 2015.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4 years.

For the options issued during the current financial year, the valuation model inputs to be used to determine the fair value at each vesting date, are as follows:

Issue date	Expiry date	Share price at issue date	Exercise price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at issue date
09/05/2015	01/07/2019	$0.14	$0.25	30.00%	60.00%	0.00%	2.27%	$0.03141
29/06/2015	01/07/2019	$0.14	$0.25	30.00%	60.00%	0.00%	2.27%	$0.03141

No options were on issue as at 30 June 2014.

Note 21 Segment information

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

Note 22 Loss per share

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Loss after income tax attributable to the owners the parent	(592,989)	(101,787)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	32,423,440	23,875,000
	Cents	**Cents**
Basic loss per share	(1.83)	(0.43)

There are no instruments on issue which would lead to a dilution of the loss per share at 30 June 2015 or in the prior comparative period.

The calculation of the weighted average number of ordinary shares on issue includes the effect of accounting for the acquisition of Knosys Solutions Pty Ltd by Knosys Limited as a reverse acquisition (refer Note 1). The number of shares on issue is adjusted for the 23,785,000 shares issued to acquire Knosys Solutions Pty Ltd and these shares are treated as shares on issue at the beginning of the financial year. This number of shares is also used for the calculation of the loss per share for the prior comparative period.

Knosys Limited
Directors' declaration
30 June 2015

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 2015 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; and

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

Richard Levy
Director

28 September 2015
Melbourne

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KNOSYS LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Knosys Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

CHARTERED ACCOUNTANTS & ADVISORS

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William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KNOSYS LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

a) the accompanying financial report of Knosys Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

William Buck

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

N. S. Benbow
Director

Dated this 28th day of September, 2015

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